

LEHI CITY CORPORATION

STATE OF UTAH

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Prepared by:

Department of Finance and Administration

Ronald W. Foggin

Finance Director

Edward Collins

City Administrator

LEHI CITY CORPORATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2005

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INTRODUCTORY SECTION



153 North 100 East – P.O. Box 255 – Lehi, Utah 84043-1895
801-768-7100 – Fax: 801-768-7101

December 1, 2005

To the Honorable Mayor, City Council and Citizens of Lehi City:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Lehi City (the City) for the fiscal year ended June 30, 2005.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's basic financial statements have been audited by Osborne, Robbins and Buhler PLLC, a firm of licensed certified public accounts. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Lehi is located 12 miles north of Provo and 23 miles south of Salt Lake City. Lehi was settled by Mormon pioneers in 1850 and was known by several different names: Sulphur Springs, Snow's Springs, Dry Creek and Evansville. The final name settled on by the Town's people was Lehi. The City was incorporated in 1852. Lehi is Utah's sixth oldest City.

The City has had a strong mayor form of government since 1852. Policy making and legislative authority are vested in a governing council consisting of the mayor and five city council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City's administrator, recorder, and treasurer. The City's administrator is responsible for carrying out policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing heads of the various departments. The mayor and city council are elected on a non-partisan basis. City council members serve four-year staggered terms. The mayor is elected to serve a four-year term. The mayor and all five city council seats are elected at large.

Lehi has a rich history. The Overland Stage Coach Route ran through the Town. The famous Pony Express Trail ran next to the Town. The Transcontinental Telegraph line ran adjacent to the City.

The City is a beautiful place to live. Just to the south is Utah Lake used for boating, fishing and hunting. The river that drains Utah Lake is the Jordan River, which runs through the City. To the east of the City are the beautiful Wasatch Mountains and to the west are the White Mountains and Oquirrh Mountains. All of which are within thirty minutes of Lehi offering a variety of activities including hiking, mountain biking, fishing, camping and skiing.

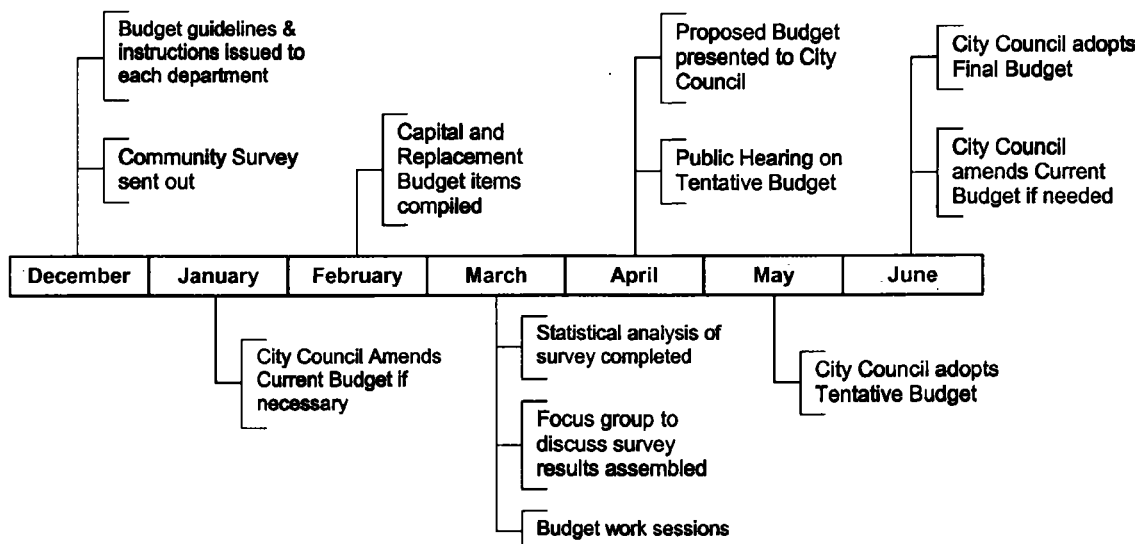


The City has a very western feel with many of the downtown businesses operating in buildings built in the late 1800s. The Lehi Roundup is a five-day celebration with many different community events, a stock parade, a standard parade and a professional rodeo. The Lehi Roundup Rodeo is one of the oldest rodeos in the state.

The City provides a full range of services, including police and fire protection; the construction and maintenance of streets and roads; parks; both commercial and residential building inspection; a wide variety of recreational programs; and cultural events. The City also owns and operates a culinary water system, a secondary water system, a wastewater system, a storm water system, an

electrical distribution system, solid waste collection, a swimming facility, and an emergency medical service.

The annual budget serves as the foundation for the City's financial planning and control. The City's budget process is well laid out starting in December for a budget that will be adopted by June 22 and goes into effect July 1. The creation of the budget follows the time line below:



The City is required to hold two public hearings on the proposed budget. The first public hearing must be held by May 22 for the adoption of the tentative budget. The second public hearing must be held by June 22 for the adoption of the final budget.

Within the existing budget, department heads may make transfers of appropriations inside their department. Transfers of appropriations between departments, however, require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 21 as part of the basic financial statements for the governmental funds. For governmental funds with appropriated annual budgets, other than the general fund, this comparison is presented in the governmental fund subsection of this report, which starts on page 60. Also included in the governmental fund subsection are project-length budget-to-actual comparisons for each governmental fund for which a project-length budget has been adopted (i.e., the special revenue funds and the capital project fund).

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy

The City has enjoyed strong residential growth for the last ten years and it appears that growth will continue for a number of years to come. The commercial growth has been slightly slower

than the residential, but with the official opening of a Cabela's outdoor retail store in August 2005 and the announcement of a new Loews Hardware and a Costco the City is confident that commercial construction will increase dramatically. Forest City, a large developer of first class retail space, has announced that they intend to build a large outdoor mall next to the new Cabela's store. The City has some of the best undeveloped commercial frontage along the Wasatch Front.

The region has Brigham Young University, Utah Valley State College and the University of Utah within 25 minutes of the City center. These higher education facilities employ more than 3,000 people. These universities provide a strong educated work force for a large number of high tech businesses in the area. The region also provides some of the best medical facilities in the western United States. Utah County, the County in which the City is located, has an unemployment rate of 3.5%, which is slightly lower than the State of Utah, which is at 4%.

Long-term Financial Planning

The City's long-term goals are expressed simply as meeting tomorrow's needs with good financial decisions and by continuing to forecast capital improvements into the future. The identification and implementation of long term planning has permitted the City to construct one of the finest park systems in our region. From just three parks a few years ago to more than a dozen major facilities today we have successfully transformed our community's park system and created exceptional open spaces for our citizen's enjoyment. The strategic planning for parks has been expanded to include a trail system that will allow joggers, walkers and bicyclists to enjoy the Dry Creek Basin, which runs through the entire City.

In our utility area numerous long-term goals include maintenance of a high service level and sufficient advance planning to meet expected demands. For example, the culinary water system planning process has required the City Engineer to prepare a capital facilities plan that provides for the provision of resources, storage and transmission systems to keep up with the demands of our growing community. Several recent examples of success in long-term planning have been made in the area of culinary and secondary water. With a good twenty year strategic plan the City was able to bond for several million dollars to complete projects that will increase storage and provide additional water resources. Without the strategic plan in place the City would not be able to anticipate infrastructure needs in a timely manner and some services could be interrupted.

Our storm drainage plans include ambitious expansions in the future to deal with years of neglect and the pressure of growth. Likewise, sewer and road systems are under careful review to be certain that as our systems age they are maintained in a manner that identifies and solves problems before failures occur. As with the culinary and secondary water, the City will use its strategic plan to bond for more electric system improvements. In the next fiscal year the City will add a new substation and several transformers to existing substations. With long term plans it becomes easier to be proactive rather than being reactive.

Finally, our commitment to public safety cannot be overstated. The City hired four fulltime fire/EMS employees in July 2005. The hiring of the new employees is Lehi City's first step towards providing 24/7 fire/EMS service. This was a huge commitment, but one that needed to occur as response time to accidents and fires had fall far below national standards. In addition to the fulltime employees the City will add additional space to the existing fire station. This new space will provide sleeping quarters, more storage, additional offices, and a much needed training room.

As a long-term goal it is clear that a sense of safety must be maintained if our citizens are to enjoy the wide array of programs and activities being provided in the community. Lehi's strategic plan has identified the need for several more satellite fire/EMS stations on the south and north ends of the City. If the growth continues as it has over the last ten years a new fire station will be critically needed in the next three years. A new satellite fire station will allow the fire and EMS departments to respond to emergency calls much faster on the northeast side of the City.

Cash Management Policies and Practices

The City maintains an active investment program with the State Investment Pool as well as with local banking institutions. All investments comply with the Utah Money Management Act. The City's investment policy includes many self-imposed constraints in order to effectively safeguard the public funds involved. Idle cash is invested on a daily basis. The City maintains a zero cash balance at the local bank. Funds wash into an investment account at the end of each day, maximizing the City's interest income.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2004. This was the eighth consecutive year the government has received this prestigious award. In order to be awarded the Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.


In addition, The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2005. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance, treasury, and administration departments. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Edward M. Collins
City Administrator


Ronald W. Foggin
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lehi City Corporation,
Utah

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.

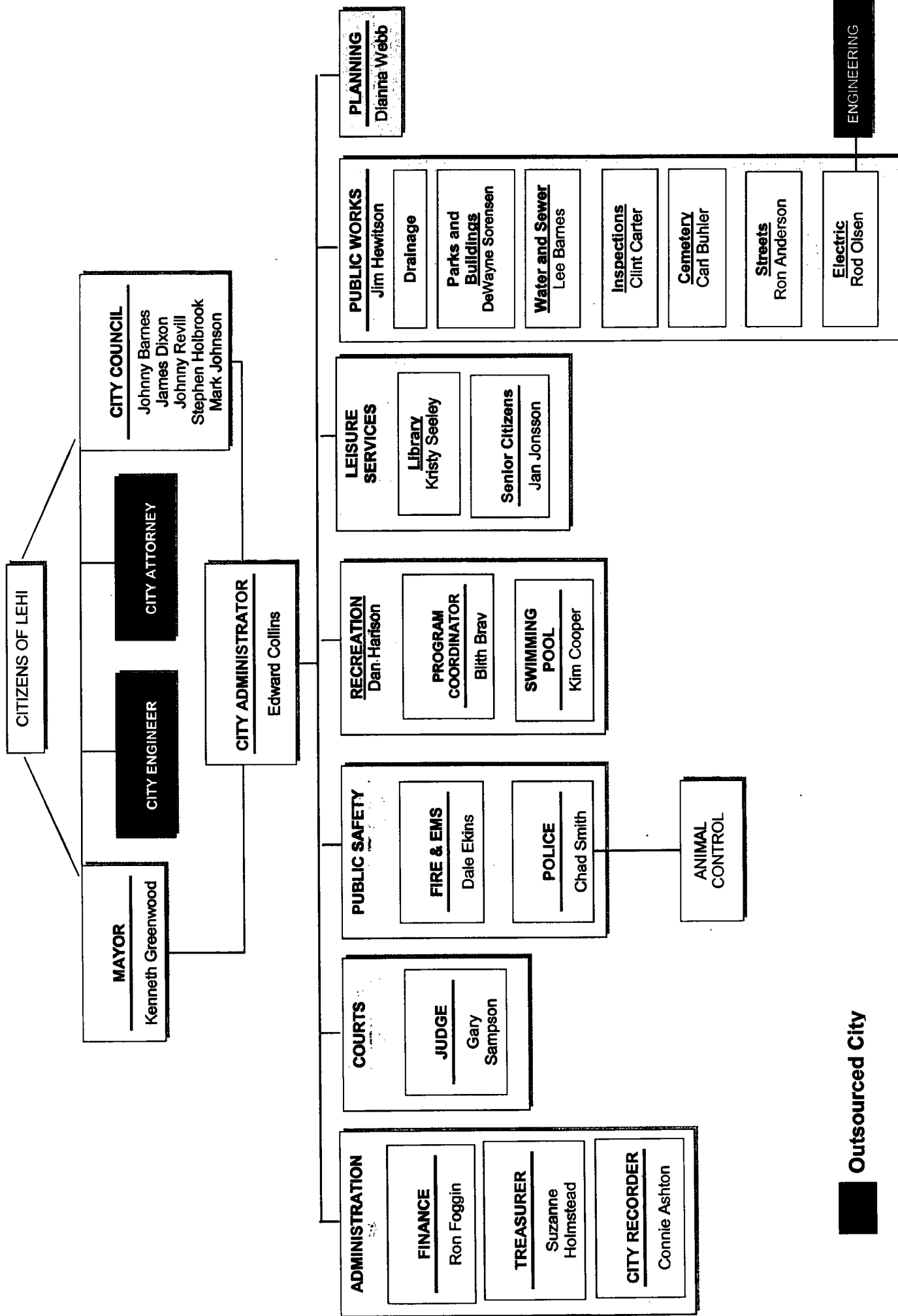


Nancy L. Zeller

President

Jeffrey R. Emer

Executive Director



Outsourced City



For the Fiscal Year
July 1, 2004 through June 30, 2005

Kenneth Greenwood
Mayor

Johnny Barnes
Councilperson

James Dixon
Councilperson

Mark Johnson
Councilperson

Stephen Holbrook
Councilperson

Johnny Revill
Councilperson

Edward Collins
City Administrator

FINANCIAL SECTION

OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council
Lehi City Corporation, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lehi City Corporation, Utah (the City) as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lehi City Corporation, Utah as of June 30, 2005, and the respective changes in financial position, budgetary comparison, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lehi City Corporation, Utah basic financial statements. The introductory section, combining nonmajor fund financial statements, individual fund schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Osborne Robbins & Buhler PLLC

December 1, 2005

LEHI CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2005

As management of the City, we offer readers of City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages I - V of this report.

Financial Highlights

- The assets of Lehi City exceeded its liabilities at the close of the most recent fiscal year by \$184,241,720 (*net assets*). Of this amount, \$14,411,203 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The total net assets of \$184,241,720 are made up of \$165,087,261 in capital assets net of related debt and \$19,154,459 in other net assets.
- The City's governmental funds reported combined fund balances of \$9,876,707. This ending fund balance is \$4,739,869 less than the beginning fund balance of \$14,616,576. The reduction in fund balance is due to the construction of an aquatic center and several road projects accounted for in the Capital Projects Fund.
- Lehi City's total debt increased by a net of \$2,105,191 during the current fiscal year. The key factors in this increase are the issuance of \$5,251,200 in subordinated sales tax revenue bonds. This bond money was used to fund public improvements around a commercial development.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to of the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

- The *statement of net assets* presents information on all the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Lehi City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general

LEHI CITY CORPORATION

Management's Discussion and Analysis

For the Year Ended June 30, 2005

government, public safety, community development, streets and highways, parks, recreation and culture, and cemetery. The business-type activities of the City include culinary water, sewer, pressurized irrigation, electric, drainage, swimming pool, ambulance, and garbage.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate museum for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The Redevelopment Agency and Municipal Building Authority, although legally separate, function for all practical purposes as departments of the City, and therefore have been included as integral parts of the primary government.

The government-wide financial statements can be found on pages 16-18 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spend-able resources*, as well as on *balances of spend-able resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, and the capital projects – streets fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statement can be found on pages 19-21 of this report.

LEHI CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2005

- **Proprietary funds.** The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its culinary water, sewer, pressurized irrigation, electric, drainage, swimming pool, ambulance, and garbage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the culinary water, sewer, pressurized irrigation, electric, and drainage funds, which are considered to be major funds of the City. Conversely, the swimming pool fund, ambulance fund, and the garbage fund are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for these funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 22-26 of this report.

Notes to the financial statement. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-55 of this report.

Other information. Combining and individual fund statements and schedules can be found on pages 56-72 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$184,241,720 at the close of the most recent year.

By far the largest portion of the City's net assets (89.6%) reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, machinery and equipment, and infrastructure assets); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

LEHI CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2005

LEHI CITY'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 17,877,862	\$ 22,370,720	\$ 14,742,575	\$ 12,157,475	\$ 32,620,437	\$ 34,528,195
Capital assets	137,966,980	26,021,395	101,310,724	92,638,416	239,277,704	118,659,811
Total assets	155,844,842	48,392,115	116,053,299	104,795,891	271,898,141	153,188,006
Long-term liabilities outstanding	66,318,469	62,858,077	13,466,689	14,821,890	79,785,158	77,679,967
Other liabilities	2,159,967	1,296,597	5,711,296	3,381,549	7,871,263	4,678,146
Inter-fund balances	(3,101,497)	(2,646,786)	3,101,497	2,646,786	-	-
Total liabilities	65,376,939	61,507,888	22,279,482	20,850,225	87,656,421	82,358,113
Net assets:						
Invested in capital assets, net of related debt	76,480,271	(35,683,910)	88,606,990	78,483,565	165,087,261	42,799,655
Restricted	2,464,432	1,934,133	2,278,824	1,022,388	4,743,256	2,956,521
Unrestricted	11,523,200	20,634,004	2,888,003	4,439,713	14,411,203	25,073,717
Total net assets	\$ 90,467,903	\$ (13,115,773)	\$ 93,773,817	\$ 83,945,666	\$ 184,241,720	\$ 70,829,893

An additional portion of Lehi City's net assets (2.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$14,411,203) may be used to meet the government's ongoing obligations to citizens and creditors.

The governmental activities column reflects an increase in net assets of \$103,583,676. The increase arises because of the implementation of the retroactive reporting requirements applicable to infrastructure assets as prescribed in GASB 34.

The net assets of the City's business-type activities increased by 11.7% (\$93,773,817 compared to \$83,945,666) in 2004. This is attributable primarily to contributions of capital assets from developers and impact fee revenues.

Governmental activities. Governmental activities increased the City's net assets by \$103,583,676, thereby accounting for 91.3 percent of the total increase in the net assets of the City. Key elements of this increase are as follows:

- \$90,854,828 of the increase in governmental net assets is due to the retroactive recognition of governmental infrastructure assets, which were recognized in 2005 under the retroactive reporting provisions of GASB Statement No. 34.
- Capital grants and contributions increased by \$10,876,250 over 2004 (228.7 percent). This arose primarily from the recognition of land, roads and sidewalk improvements that were added to the City's infrastructure by developers.
- Property taxes increased by 84.4% over 2004. This increase was primarily related to recognition of taxes levied for 2006 that are recognized in the government wide-financial statements. The 2006 levy was higher due to growth in the City.

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Management's Discussion and Analysis
For the Year Ended June 30, 2005

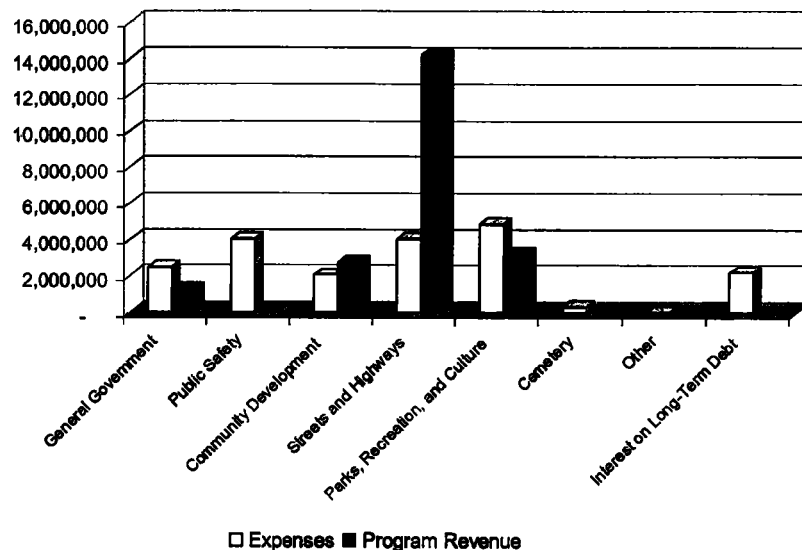
- Charges for services are up by \$1,109,006 (23.4 percent). The increase is due in part to impact fee revenues that have resulted from the large growth the City is experiencing, as well as the opening of the new aquatic center which increased revenues in recreation programs.

LEHI CITY'S CHANGES IN NET ASSETS

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$ 5,844,161	\$ 4,735,155	\$ 21,180,132	\$ 23,022,790	\$ 27,024,293	\$ 27,757,945
Operating grants and contributions	299,681	566,948	11,308	11,690	310,989	578,638
Capital grants and contributions	15,631,015	4,754,765	11,178,666	5,391,982	26,809,681	10,146,747
General revenues:						
Property taxes	6,087,979	3,302,183	-	-	6,087,979	3,302,183
Other taxes	3,956,541	4,305,325	-	-	3,956,541	4,305,325
Other	703,060	587,986	627,260	299,614	1,330,320	887,600
Total revenues	<u>32,522,437</u>	<u>18,252,362</u>	<u>32,997,366</u>	<u>28,726,076</u>	<u>65,519,803</u>	<u>46,978,438</u>
Expenses:						
General government	2,473,715	2,148,621	-	-	2,473,715	2,148,621
Public safety	4,058,050	3,641,392	-	-	4,058,050	3,641,392
Community development	2,094,404	1,893,666	-	-	2,094,404	1,893,666
Highways/streets	4,075,003	2,134,311	-	-	4,075,003	2,134,311
Parks, recreation, and culture	4,880,066	1,847,707	-	-	4,880,066	1,847,707
Cemetery	303,608	298,869	-	-	303,608	298,869
Other	7,597	9,264	-	-	7,597	9,264
Interest on long-term debt	2,228,046	3,095,006	-	-	2,228,046	3,095,006
Culinary Water	-	-	1,806,484	1,586,672	1,806,484	1,586,672
Sewer	-	-	2,529,956	2,163,724	2,529,956	2,163,724
Pressurized Irrigation	-	-	1,368,222	1,144,007	1,368,222	1,144,007
Electric	-	-	14,829,348	16,775,273	14,829,348	16,775,273
Drainage	-	-	434,486	390,367	434,486	390,367
Swimming Pool	-	-	235,355	304,497	235,355	304,497
Ambulance	-	-	381,408	386,564	381,408	386,564
Garbage	-	-	1,257,056	1,041,433	1,257,056	1,041,433
Total expenses	<u>20,120,489</u>	<u>15,068,836</u>	<u>22,842,315</u>	<u>23,792,537</u>	<u>42,962,804</u>	<u>38,861,373</u>
Increase in net assets before transfers	12,401,948	3,183,526	10,155,051	4,933,539	22,556,999	8,117,065
Transfers	326,900	313,700	(326,900)	(313,700)	-	-
Increase in net assets	12,728,848	3,497,226	9,828,151	4,619,839	22,556,999	8,117,065
Net assets, beginning	(13,115,773)	(16,612,999)	83,945,666	79,325,827	70,829,893	62,712,828
Prior period adjustment	90,854,828	-	-	-	90,854,828	-
Net assets at beginning of year, as restated	<u>77,739,055</u>	<u>(16,612,999)</u>	<u>83,945,666</u>	<u>79,325,827</u>	<u>161,684,721</u>	<u>62,712,828</u>
Net assets, ending	<u>\$ 90,467,903</u>	<u>\$ (13,115,773)</u>	<u>\$ 93,773,817</u>	<u>\$ 83,945,666</u>	<u>\$ 184,241,720</u>	<u>\$ 70,829,893</u>

LEHI CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2005

Expenses and Program Revenues - Governmental Activities



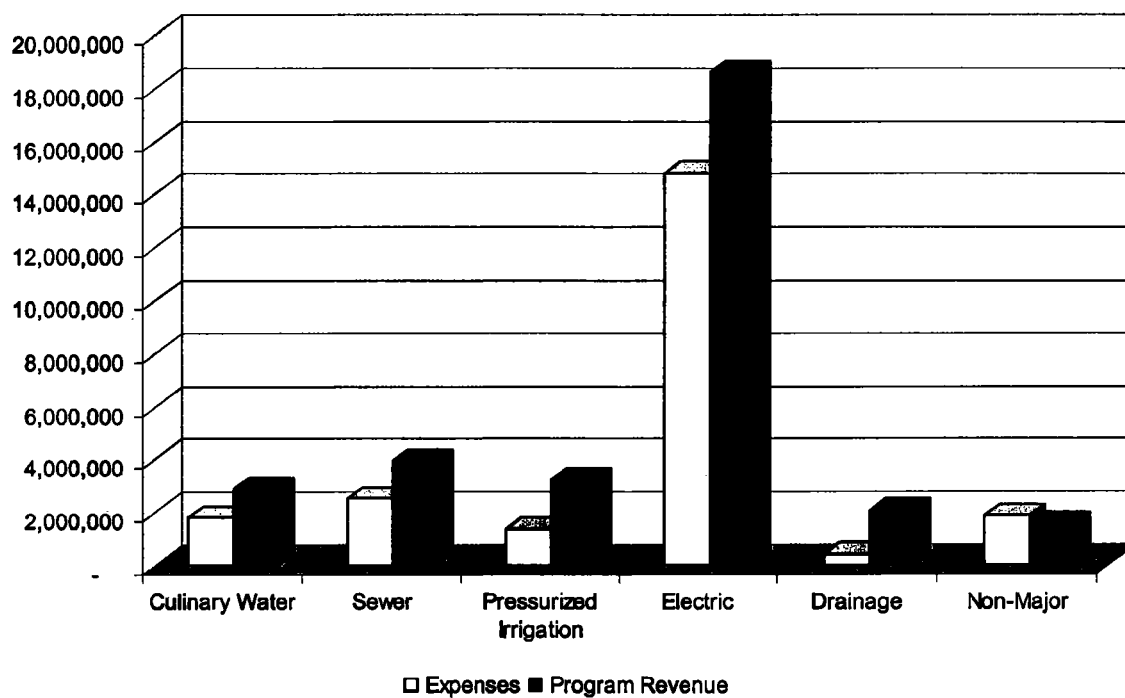
For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Several noteworthy exceptions, however, are the City's highways and streets function, and parks, recreation and culture. The City's highways and streets function had growth in expenses of \$1,940,692 (91 percent) reflects the City's commitment to improving the City's roads through reconstruction and extensive maintenance. The parks, recreation and culture function had growth in expenses of \$3,032,359 (164 percent) over 2004. As mentioned earlier the City opened a new aquatic center, which dramatically changed the expenses in the recreation departments. In addition, the parks department had several large capital expenditures as part of the construction of a new sports park.

Business-type activities. Business-type activities increased the City's net assets by \$9,828,151. At the end of the current fiscal year, all of the City's major business-type funds reported positive net assets. Key elements of the increase in net assets are as follows.

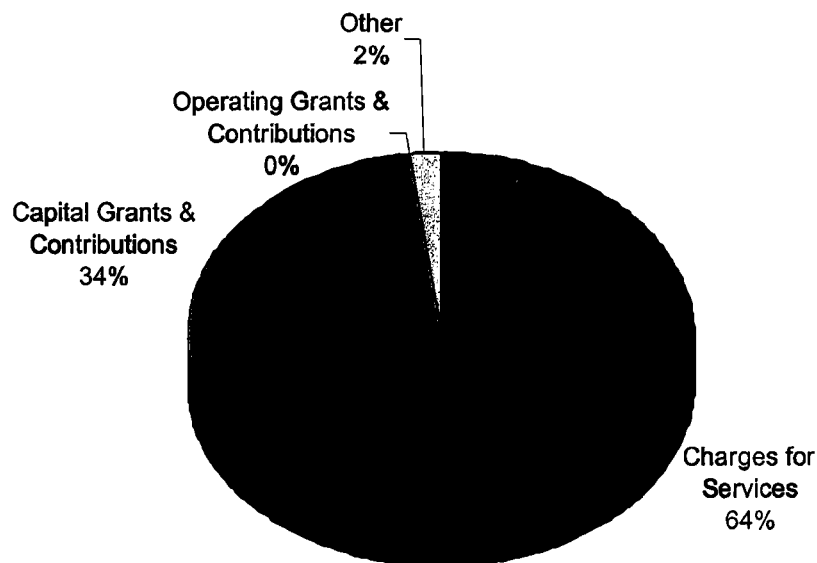
- Charges for services for business-type activities decreased by \$1,842,658. The Electric Fund accounts for a significant portion of this with a decrease of \$1,945,925. This large decrease is related to a renegotiated power contract with Lehi City's largest power customer. Lehi was able to ensure a less expensive power resource for this customer resulting in less revenue collected. It should be mentioned that this also resulted in a reduction in expenditures, because the power did not cost the City as much to purchase.
- Capital grants and contributions for the business-type activities increased by \$5,786,684 or 107.2 percent from 2004. The increase is the direct result of contributions from developers, which was extremely high 2005, because of a large amount of growth in the City.

LEHI CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2005

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$9,876,707. \$4,676,384 of this total amount (47.3 percent) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to pay debt service, 3) to pay capital improvements commitments, 4) or for a variety of other restricted purposes.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,657,739, while total fund balance reached \$6,047,669. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 23.6 percent of total general fund expenditures, while total fund balance represents 39

LEHI CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2005

percent of that same amount. The fund balance of the City's general fund increased by \$625,462 during the current fiscal year. This increase is due to increases in revenue in taxes, licenses, fees and permits, charges for services, and fines and forfeitures.

The capital projects fund had a large decrease in fund balance of \$5,472,079, which left the fund with a fund balance of \$2,810,393. The reason for the decrease was the construction of the aquatic center, several street projects, and the construction of public infrastructure for a commercial development. The total capital outlay in this fund for 2005 was \$10,741,229.

Proprietary funds. The City's proprietary funds provide the same type of information found in the business-type portions of the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary funds at the end of the year totaled \$2,888,003. Individually, the pressurized irrigation fund's unrestricted net assets totaled \$457,126, electric \$3,894,080, and drainage \$508,483. The culinary water fund had a negative unrestricted net asset amount of \$1,181,082, the sewer a negative amount of \$358,382 and the non-major enterprise funds a negative amount of \$432,222. Other factors concerning the finances of these proprietary funds can be found earlier in this section under business-type activities.

General Fund Budgetary Highlights

During the fiscal year, the General Fund's original budget was amended from an original budget expenditure total of \$17,103,345 to a final budget of \$14,831,850, a decrease of \$2,271,495. The budget adjustments can be briefly summarized as follows:

- \$305,450 in increases related to general government, primarily allocated to the administration department and court department with both departments accounting for \$153,500 of the increase.
- \$527,600 in increases related to public safety, most of which was allocated to the police department.
- The parks, recreation and culture had an overall decrease of \$3,268,345. This decrease resulted from a decision to budget for the construction of the aquatic center in the capital project fund instead of the general fund. The parks department budget did increase \$303,000 from the original budget.
- \$77,000 in increases in community development.

General fund revenues were sufficient to meet all expenditures with taxes, licenses, fees and permits, charges for services, and fines and forfeitures surpassing budgeted totals.

Capital Asset and Debt Administration

Capital assets. Lehi City's investment in capital assets for its governmental and business-type activities as of June 30, 2005 amounts to \$239,277,704 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements including infrastructure and distribution systems, machinery and equipment, vehicles, and office furniture and equipment.

Major capital asset events during the current fiscal year include the following:

- A new aquatic center was added to the Legacy Center at a cost of \$4,258,446.

LEHI CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2005

- Public infrastructure was completed as part of a commercial development for Cabela's. This infrastructure consisted of new roads, culinary water, pressurized irrigation, sewer, electric, and drainage at a cost of \$5,275,625.
- Capital contributions from development added \$6,522,200 in fixed assets to the culinary water, sewer, pressurized irrigation, electric, and drainage funds.
- The electric fund made improvements to two substations totaling \$454,174.
- Several road projects were completed on the north end of the city at a cost of \$1,113,345.
- The City completed phase four of its new sports park adding a horse shoe pitching facility, parking lots, fencing, score boards, and basketball courts at a cost of \$171,327.

LEHI CITY'S CAPITAL ASSETS
(net of depreciation)

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 31,887,914	\$ 27,491,654	\$ 1,816,482	\$ 1,710,482	\$ 33,704,396	\$ 29,202,136
Construction in progress	5,914,820	2,034,410	47,653	315,815	5,962,473	2,350,225
Buildings	11,657,343	8,235,790	1,826,824	1,895,942	13,484,167	10,131,732
Improvements, including infrastructure	84,715,866	76,025,094	95,956,351	86,902,762	180,672,217	162,927,856
Machinery, equipment, and vehicles	3,483,079	2,865,259	1,657,083	1,802,785	5,140,162	4,668,044
Office furniture and equipment	307,958	224,016	6,331	10,630	314,289	234,646
Total	\$137,966,980	\$116,876,223	\$101,310,724	\$92,638,416	\$239,277,704	\$209,514,639

In addition, as mentioned earlier, infrastructure totaling \$90,854,828 (net of accumulated depreciation) was retroactively recognized under the requirements of GASB Statement No. 34. This is reflected in the numbers for 2004 above as though the assets had been recognized in prior years.

Additional information on the City's capital assets can be found in note E on pages 39-41 of this report.

Long-term debt. At the end of the current fiscal year the City had total bonded debt outstanding of \$37,807,725. Of this amount \$6,385,112 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment and \$4,115,000 is excise tax debt which is secured by Class C road taxes. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

LEHI CITY'S OUTSTANDING DEBT

	Governmental activities		Business-type activities		Total	
	2005	2004	2005	2004	2005	2004
Capital Lease Obligations	\$ 292,194	\$ 547,623	\$ 154,809	\$ 237,696	\$ 447,003	\$ 785,319
Special Assessment Bonds	3,780,987	4,612,888	2,604,125	3,177,111	6,385,112	7,789,999
Excise Tax Bonds	4,115,000	4,555,000	-	-	4,115,000	4,555,000
Tax Increment Note Payable to Developer	39,127,461	39,006,764	-	-	39,127,461	39,006,764
Revenue Bonds	17,896,625	13,203,850	10,271,413	11,053,354	28,168,038	24,257,204
Other Liabilities	1,106,202	931,952	436,342	353,729	1,542,544	1,285,681
Total	\$ 66,318,469	\$ 62,858,077	\$ 13,466,689	\$ 14,821,890	\$ 79,785,158	\$ 77,679,967

LEHI CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2005

The City increased its total debt by \$2,105,191 in fiscal year 2005. The key factor for this increase was a sales tax revenue bond totaling \$5,251,200. The sales tax revenue bond was issued to make public improvements to a commercial area within the City.

Lehi City maintains an underlying "A+" rating from Standard & Poor's ("AAA" insured) for sales tax revenue bonds and an underlying "A3" from Moody's ("Aaa" insured) for the culinary water and pressurized irrigation funds. All bonds previous to these two were rated with an "AAA" with the purchase of bond insurance.

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The current limitation for the City is \$67,136,936 and Lehi currently has no general obligation debt. In addition, state statutes allow for an additional 4% to be used for business-type debt, thus resulting in a debt limit of 8% of total taxable value. The current limitation for business-type projects is \$134,273,872, which significantly exceeds the outstanding business-type debt the City currently has.

Additional information on the City's long-term debt can be found in note G on pages 41-48 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Utah County is currently 3.9% (unemployment data is not available for the City). This compares to the state unemployment rate of 4.0% and a national rate of 5.4%.
- The City continues to grow rapidly adding 1,068 single family residential units in the last fiscal year making the City the fastest growing community in Utah County and one of the fast growing in the state.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2006 fiscal year. The 2006 budget is balanced without the need of a property tax increase, or any large transfers from any of the proprietary funds. There are no expected rate changes for any of the services currently being provided by the City.

Cabela's opened a new 160,000 square foot retail store in early fiscal year 2006. This one of a kind retailer is expected to bring 4,000,000 million visitors to Lehi in 2006. The store opened to the biggest opening Cabela's has ever had, and the City is excited about all the businesses that are expected to follow.

Costco and Loews broke ground early in the 2006 fiscal year and are expected to open their doors in 2006. These two stores are expected to generate \$200,000,000 in taxable sales. There are also several new restaurants and a hotel scheduled for construction during the fiscal year.

All these businesses opening their doors in Lehi mean more sales tax dollars for the City. The additional sales tax dollars will the City to add critical services that may have been lacking in the past. Sales tax revenue is forecast to be higher and with the additional increase Lehi is planning to continue its drive towards a fulltime fire/EMS department as well as adding stations for the department.

LEHI CITY CORPORATION
Management's Discussion and Analysis
For the Year Ended June 30, 2005

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Finance Director, 153 North 100 East, Lehi, Utah, 84043.

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BASIC FINANCIAL STATEMENTS

LEHI CITY CORPORATION
STATEMENT OF NET ASSETS
JUNE 30, 2005

	PRIMARY GOVERNMENT			COMPONENT UNIT HUTCHINGS MUSEUM
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
CASH AND CASH EQUIVALENTS	\$ 2,253,624	\$ 1,759,342	\$ 4,012,966	\$ 47,266
RECEIVABLES (NET)				
ACCOUNTS	-	2,698,792	2,698,792	-
TAXES	5,861,421	-	5,861,421	-
INTERGOVERNMENTAL	212,691	-	212,691	-
OTHER	41,751	-	41,751	-
DUE FROM COMPONENT UNIT	46,630	-	46,630	-
INVENTORY	-	2,361,659	2,361,659	-
PREPAID ITEMS	-	30,857	30,857	-
SPECIAL ASSESSMENT RECEIVABLE	3,780,877	2,604,126	6,385,003	-
WORKING CAPITAL DEPOSIT WITH POWER SUPPLIER	-	52,576	52,576	-
INVESTMENT IN WATER STOCK AND RIGHTS, AT COST	-	1,182,680	1,182,680	-
BOND ISSUE COSTS (NET)	288,921	285,439	574,360	-
RESTRICTED CASH AND CASH EQUIVALENTS	5,391,947	3,767,104	9,159,051	7,500
NON-DEPRECIABLE CAPITAL ASSETS	37,802,734	1,864,135	39,666,869	5,000
DEPRECIABLE CAPITAL ASSETS, NET	100,164,246	99,446,589	199,610,835	389,810
TOTAL ASSETS	155,844,842	116,053,299	271,898,141	449,576
LIABILITIES				
INTERFUND BALANCES	(3,101,497)	3,101,497	-	-
ACCOUNTS PAYABLE	631,850	2,847,109	3,478,959	4,237
LIABILITIES PAYABLE FROM RESTRICTED ASSETS	252,114	-	252,114	-
DUE TO PRIMARY GOVERNMENT	-	-	-	46,630
WAGES PAYABLE	199,248	70,403	269,651	-
ACCRUED LIABILITIES	819,507	35,320	854,827	1,161
ACCRUED INTEREST PAYABLE	257,248	58,823	316,071	-
CUSTOMER DEPOSITS	-	110,354	110,354	-
DEFERRED REVENUE	-	2,589,287	2,589,287	-
NON-CURRENT LIABILITIES				
DUE WITHIN ONE YEAR	2,622,947	1,377,026	3,999,973	-
DUE IN MORE THAN ONE YEAR:				
COMPENSATED ABSENCES	100,559	109,086	209,645	-
LANDFILL POSTCLOSURE COSTS	100,608	-	100,608	-
CAPITAL LEASES PAYABLE	130,897	73,424	204,321	-
NOTE PAYABLE TO DEVELOPER	39,077,461	-	39,077,461	-
BONDS PAYABLE	24,285,997	11,907,153	36,193,150	-
TOTAL LIABILITIES	65,376,939	22,279,482	87,656,421	52,028
NET ASSETS				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	76,480,271	88,606,990	165,087,261	390,048
RESTRICTED FOR				
CAPITAL IMPROVEMENTS	2,389,930	2,278,824	4,668,754	-
DEBT SERVICE	74,502	-	74,502	7,500
UNRESTRICTED	11,523,200	2,888,003	14,411,203	-
TOTAL NET ASSETS	\$ 90,467,903	\$ 93,773,817	\$ 184,241,720	\$ 397,548

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LEHI CITY CORPORATION
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT:				
GOVERNMENTAL ACTIVITIES				
GENERAL GOVERNMENT	\$ 2,473,715	\$ 1,300,040	\$ -	\$ -
PUBLIC SAFETY	4,058,050	86,129	80,399	-
COMMUNITY DEVELOPMENT	2,094,404	2,781,526	-	-
STREETS AND HIGHWAYS	4,075,003	19,475	201,544	13,994,868
PARKS, RECREATION AND CULTURE	4,880,066	1,579,155	17,738	1,636,147
CEMETERY	303,608	77,836	-	-
OTHER	7,597	-	-	-
INTEREST ON LONG-TERM DEBT	2,228,046	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	20,120,489	5,844,161	299,681	15,631,015
BUSINESS-TYPE ACTIVITIES				
CULINARY WATER	1,806,484	1,589,361	-	1,296,553
SEWER	2,529,956	1,802,658	-	2,156,253
PRESSURIZED IRRIGATION	1,368,222	1,134,314	-	2,102,328
ELECTRIC	14,829,348	14,735,942	-	3,916,871
DRAINAGE	434,486	381,558	-	1,706,661
SWIMMING POOL	235,355	81,985	-	-
AMBULANCE	381,408	254,131	11,308	-
GARBAGE	1,257,056	1,200,183	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	22,842,315	21,180,132	11,308	11,178,666
TOTAL PRIMARY GOVERNMENT	\$ 42,962,804	\$ 27,024,293	\$ 310,989	\$ 26,809,681
COMPONENT UNIT				
HUTCHINGS MUSEUM	\$ 116,884	\$ 8,307	\$ 100,000	\$ 22,591

GENERAL REVENUES:
PROPERTY TAXES LEVIED FOR GENERAL PURPOSES
SALES TAXES LEVIED FOR GENERAL PURPOSES
FRANCHISE TAXES
MOTOR VEHICLE FEES IN LIEU
INVESTMENT EARNINGS
OTHER

TOTAL GENERAL REVENUES
TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS
CHANGE IN NET ASSETS

NET ASSETS AT BEGINNING OF YEAR, AS PREVIOUSLY
REPORTED

RESTATEMENT FOR RETROACTIVE REPORTING
OF GENERAL INFRASTRUCTURE ASSETS

NET ASSETS AT BEGINNING OF YEAR, AS RESTATED
NET ASSETS AT END OF YEAR

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NET REVENUE (EXPENSE) AND CHANGES IN NET ASSETS PRIMARY GOVERNMENT			COMPONENT UNIT
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	HUTCHINGS MUSEUM
\$ (1,173,675)	\$ -	\$ (1,173,675)	\$ -
(3,891,522)	-	(3,891,522)	-
687,122	-	687,122	-
10,140,884	-	10,140,884	-
(1,647,026)	-	(1,647,026)	-
(225,772)	-	(225,772)	-
(7,597)	-	(7,597)	-
(2,228,046)	-	(2,228,046)	-
<u>1,654,368</u>	<u>-</u>	<u>1,654,368</u>	<u>-</u>
-	1,079,430	1,079,430	-
-	1,428,955	1,428,955	-
-	1,868,420	1,868,420	-
-	3,823,465	3,823,465	-
-	1,653,733	1,653,733	-
-	(153,370)	(153,370)	-
-	(115,969)	(115,969)	-
-	(56,873)	(56,873)	-
-	<u>9,527,791</u>	<u>9,527,791</u>	<u>-</u>
<u>1,654,368</u>	<u>9,527,791</u>	<u>11,182,159</u>	<u>-</u>
			\$ 14,014
6,087,979	-	6,087,979	-
1,758,008	-	1,758,008	-
1,864,640	-	1,864,640	-
333,893	-	333,893	-
542,371	230,544	772,915	450
<u>160,689</u>	<u>396,716</u>	<u>557,405</u>	<u>-</u>
10,747,580	627,260	11,374,840	450
<u>326,900</u>	<u>(326,900)</u>	<u>-</u>	<u>-</u>
<u>11,074,480</u>	<u>300,360</u>	<u>11,374,840</u>	<u>450</u>
<u>12,728,848</u>	<u>9,828,151</u>	<u>22,556,999</u>	<u>14,464</u>
(13,115,773)	83,945,666	70,829,893	383,084
90,854,828	-	90,854,828	-
<u>77,739,055</u>	<u>83,945,666</u>	<u>161,684,721</u>	<u>383,084</u>
<u>\$ 90,467,903</u>	<u>\$ 93,773,817</u>	<u>\$ 184,241,720</u>	<u>\$ 397,548</u>

LEHI CITY CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

ASSETS	GENERAL	CAPITAL PROJECTS STREETS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND CASH EQUIVALENTS	\$ 1,552,744	\$ -	\$ 700,880	\$ 2,253,624
RECEIVABLES				
TAXES	3,861,421	-	2,000,000	5,861,421
INTERGOVERNMENTAL	212,691	-	-	212,691
OTHER	41,751	-	-	41,751
SPECIAL ASSESSMENT	-	3,780,877	-	3,780,877
DUE FROM OTHER FUNDS	3,639,040	-	855,308	4,494,348
DUE FROM COMPONENT UNIT	46,630	-	-	46,630
RESTRICTED CASH AND CASH EQUIVALENTS	2,389,930	3,002,017	-	5,391,947
TOTAL ASSETS	\$ 11,744,207	\$ 6,782,894	\$ 3,556,188	\$ 22,083,289
LIABILITIES				
DUE TO OTHER FUNDS	\$ 855,308	\$ -	\$ -	\$ 855,308
ACCOUNTS PAYABLE	631,850	-	-	631,850
LIABILITIES PAYABLE FROM RESTRICTED ASSETS	60,490	191,624	-	252,114
WAGES PAYABLE	199,248	-	-	199,248
ACCRUED LIABILITIES	819,507	-	-	819,507
DEFERRED REVENUE	3,130,135	3,780,877	2,000,000	8,911,012
NOTE PAYABLE TO WATER FUND	-	-	537,543	537,543
TOTAL LIABILITIES	5,696,538	3,972,501	2,537,543	12,206,582
FUND BALANCES				
RESERVED FOR DEBT SERVICE	-	884,536	-	884,536
RESERVED FOR CAPITAL IMPROVEMENTS	2,389,930	1,925,857	-	4,315,787
UNRESERVED	3,657,739	-	-	3,657,739
UNRESERVED, REPORTED IN NONMAJOR:				
DEBT SERVICE FUNDS	-	-	87,690	87,690
SPECIAL REVENUE FUNDS	-	-	899,461	899,461
CAPITAL PROJECTS FUNDS	-	-	31,494	31,494
TOTAL FUND EQUITY AND OTHER CREDITS	6,047,669	2,810,393	1,018,645	9,876,707
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,744,207	\$ 6,782,894	\$ 3,556,188	\$ 22,083,289

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LEHI CITY CORPORATION
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET LIABILITIES OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

TOTAL GOVERNMENTAL FUND BALANCES	\$ 9,876,707
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:	
CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND THEREFORE ARE NOT REPORTED IN THE FUNDS.	137,966,980
OTHER LONG-TERM ASSETS ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND THEREFORE ARE DEFERRED IN THE FUNDS.	288,921
LONG-TERM LIABILITIES, INCLUDING BONDS PAYABLE, ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND THEREFORE ARE NOT REPORTED IN THE FUNDS.	(66,318,469)
PROPERTY TAXES AND SPECIAL ASSESSMENTS THAT ARE NOT AVAILABLE TO PAY FOR CURRENT PERIOD EXPENDITURES ARE DEFERRED IN THE FUNDS.	8,911,012
INTEREST PAYABLE ON LONG-TERM OBLIGATIONS DOES NOT REQUIRE CURRENT FINANCIAL RESOURCES AND IS NOT REPORTED IN THE GOVERNMENTAL FUNDS.	(257,248)
NET ASSETS OF GOVERNMENT ACTIVITIES	\$ 90,467,903

LEHI CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

REVENUES	GENERAL	CAPITAL PROJECTS STREETS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
TAXES	\$ 6,543,562	\$ -	\$ 2,901,058	\$ 9,444,620
LICENSES, FEES AND PERMITS	4,283,213	-	-	4,283,213
INTERGOVERNMENTAL	472,031	-	590,000	1,062,031
CHARGES FOR SERVICES	2,702,550	-	-	2,702,550
FINES AND FORFEITURES	1,300,040	-	-	1,300,040
SPECIAL ASSESSMENT REVENUE	-	831,970	-	831,970
MISCELLANEOUS	546,866	-	900	547,766
INTEREST ON INVESTMENTS	158,176	361,514	22,681	542,371
TOTAL REVENUES	16,006,438	1,193,484	3,514,639	20,714,561
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT	2,351,371	-	-	2,351,371
PUBLIC SAFETY	3,982,637	-	-	3,982,637
COMMUNITY DEVELOPMENT	1,779,012	-	384,445	2,163,457
STREETS AND HIGHWAYS	2,518,285	-	-	2,518,285
PARKS, RECREATION AND CULTURE	4,562,906	-	-	4,562,906
CEMETERY	329,604	-	-	329,604
OTHER	-	87,550	66	87,616
CAPITAL OUTLAY	-	10,741,229	-	10,741,229
DEBT SERVICE	-	-	2,113,343	2,113,343
PRINCIPAL	-	-	2,230,367	2,230,367
INTEREST AND FISCAL CHARGES	-	-	-	-
TOTAL EXPENDITURES	15,523,815	10,828,779	4,728,221	31,080,815
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	482,623	(9,635,295)	(1,213,582)	(10,366,254)
OTHER FINANCING SOURCES (USES)				
TRANSFERS IN	747,745	-	2,823,658	3,571,403
TRANSFERS OUT	(504,906)	(1,087,984)	(1,651,613)	(3,244,503)
TRANSFER TO COMPONENT UNIT	(100,000)	-	-	(100,000)
ISSUANCE OF BONDS AND NOTES	-	5,251,200	148,285	5,399,485
TOTAL OTHER FINANCING SOURCES (USES)	142,839	4,163,216	1,320,330	5,626,385
NET CHANGE IN FUND BALANCE	635,462	(5,472,079)	106,748	(4,739,869)
FUND BALANCE AT BEGINNING OF YEAR	5,422,207	8,282,472	911,897	14,616,576
FUND BALANCE AT END OF YEAR	6,047,669	2,810,393	1,018,645	9,876,707

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LEHI CITY CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (4,739,869)
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:	
GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES WHILE GOVERNMENTAL ACTIVITIES REPORT DEPRECIATION EXPENSE TO ALLOCATE THOSE EXPENDITURES OVER THE LIFE OF THE ASSETS. CAPITAL ASSET PURCHASES CAPITALIZED DEPRECIATION EXPENSE	12,848,012 (3,797,201)
GOVERNMENTAL FUNDS ONLY REPORT THE DISPOSAL OF ASSETS TO THE EXTENT PROCEEDS ARE RECEIVED FROM THE SALE. IN THE STATEMENT OF ACTIVITIES, A GAIN OR LOSS IS REPORTED FOR EACH DISPOSAL.	(176,878)
SOME EXPENSES REPORTED IN THE STATEMENT OF ACTIVITIES, SUCH AS COMPENSATED ABSENCES, AND INTEREST, DO NOT REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES AND THEREFORE ARE NOT REPORTED AS EXPENDITURES IN THE GOVERNMENTAL FUNDS	(171,929)
PROCEEDS FROM DEBT ISSUES ARE AN OTHER FINANCING SOURCE IN THE FUNDS, BUT A DEBT ISSUE INCREASES LONG-TERM LIABILITIES IN THE STATEMENT OF NET ASSETS.	(5,399,485)
REPAYMENT OF BOND PRINCIPAL IS AN EXPENDITURE IN GOVERNMENTAL FUNDS, BUT THE REPAYMENT REDUCES LONG-TERM LIABILITIES IN THE STATEMENT OF NET ASSETS.	2,113,343
GOVERNMENTAL FUNDS REPORT BOND ISSUE COSTS AS EXPENDITURES. WHILE GOVERNMENTAL ACTIVITIES AMORTIZE THOSE COSTS OVER THE LIFE OF THE BONDS	82,300 (14,199)
ISSUE COSTS INCURRED AMORTIZATION OF ISSUE COSTS	
SOME PROPERTY TAX REVENUES AND SPECIAL ASSESSMENT REVENUES ARE NOT CONSIDERED "AVAILABLE" IN THE GOVERNMENTAL FUNDS	(232,070)
CONTRIBUTIONS FROM DEVELOPERS OF INFRA-STRUCTURE NOT RECORDED IN GOVERNMENTAL FUNDS	12,216,824
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 12,728,848

LEHI CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
TAXES	\$ 6,484,000	\$ 6,049,000	\$ 6,543,562	\$ 494,562
LICENSES, FEES AND PERMITS	2,287,500	3,745,000	4,283,213	538,213
INTERGOVERNMENTAL REVENUE	921,500	782,000	472,031	(309,969)
CHARGES FOR SERVICE	1,926,000	2,259,000	2,702,550	443,550
FINES AND FORFEITURES	951,000	1,102,000	1,300,040	198,040
MISCELLANEOUS REVENUE	707,500	784,000	705,042	(78,958)
TOTAL REVENUES	13,277,500	14,721,000	16,006,438	1,285,438
EXPENDITURES				
GENERAL GOVERNMENT	2,069,050	2,374,500	2,351,371	23,129
PUBLIC SAFETY	3,452,100	3,979,700	3,982,637	(2,937)
COMMUNITY DEVELOPMENT	1,770,900	1,847,900	1,779,012	68,888
STREETS AND HIGHWAYS	2,156,000	2,222,000	2,518,285	(296,285)
PARKS, RECREATIONS AND CULTURE	7,333,095	4,064,750	4,562,906	(498,156)
CEMETERY	322,200	343,000	329,604	13,396
TOTAL EXPENDITURES	17,103,345	14,831,850	15,523,815	(691,965)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,825,845)	(110,850)	482,623	593,473
OTHER FINANCING SOURCES (USES)				
TRANSFERS IN	550,000	550,000	747,745	197,745
TRANSFERS OUT	(425,500)	(504,900)	(504,906)	(6)
TRANSFER TO COMPONENT UNIT	(30,000)	(100,000)	(100,000)	-
TOTAL OTHER FINANCING SOURCES	94,500	(54,900)	142,839	197,739
NET CHANGE IN FUND BALANCE	(3,731,345)	(165,750)	625,462	791,212
FUND BALANCE AT BEGINNING OF YEAR	5,422,207	5,422,207	5,422,207	-
FUND BALANCE AT END OF YEAR	\$ 1,690,862	\$ 5,256,457	\$ 6,047,669	\$ 791,212

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

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LEHI CITY CORPORATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES					
	CULINARY	SEWER	PRESSURIZED	ELECTRIC	DRAINAGE	NONMAJOR
	WATER		IRRIGATION			ENTERPRISE
						FUNDS
						TOTALS
ASSETS						
CURRENT ASSETS						
CASH AND CASH EQUIVALENTS	\$ 128,291	\$ 131,068	\$ 117,111	\$ 1,135,063	\$ 247,809	\$ 1,759,342
ACCOUNTS RECEIVABLE (NET)	136,123	235,603	113,866	2,002,587	47,425	2,698,792
INVENTORY	132,106	4,515	43,635	2,181,403	-	2,361,659
PREPAID ITEMS	3,858	6,559	3,615	16,825	-	30,857
TOTAL CURRENT ASSETS	400,378	377,745	278,227	5,335,878	295,234	6,850,650
NON-CURRENT ASSETS						
NOTE RECEIVABLE FROM REDEVELOPMENT						
AGENCY	537,543	-	-	-	-	537,543
NOTE RECEIVABLE - OTHER	-	-	-	-	-	-
SPECIAL ASSESSMENT RECEIVABLE	239,625	276,824	972,199	1,115,478	-	2,604,126
WORKING CAPITAL DEPOSIT WITH						
POWER SUPPLIER	-	-	-	52,576	-	52,576
INVESTMENT IN WATER STOCK						
AND RIGHTS, AT COST	1,181,162	-	1,518	-	-	1,182,680
BOND ISSUE COSTS (NET)	61,691	33,527	59,854	86,470	43,897	285,439
RESTRICTED CASH AND CASH EQUIVALENTS	1,794,596	784,484	566,149	400,756	221,119	3,767,104
NONDEPRECIABLE CAPITAL ASSETS	1,003,904	180,743	365,583	190,275	113,630	1,864,135
DEPRECIABLE CAPITAL ASSETS, NET	16,392,208	18,726,275	17,956,424	32,338,997	13,345,701	99,446,589
TOTAL NON-CURRENT ASSETS	21,210,729	20,001,853	19,921,727	34,184,552	13,724,347	109,740,192
TOTAL ASSETS	\$ 21,611,107	\$ 20,379,598	\$ 20,199,954	\$ 39,520,430	\$ 14,019,581	\$ 116,590,842

CONTINUED

LEHI CITY CORPORATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES						NONMAJOR ENTERPRISE FUNDS	TOTALS
	CULINARY WATER	SEWER	PRESSURIZED IRRIGATION	ELECTRIC	DRAINAGE			
LIABILITIES								
CURRENT LIABILITIES								
DUE TO OTHER FUNDS	\$ 2,675,090	\$ 560,005	\$ -	\$ -	\$ -	\$ 403,945	\$	\$ 3,639,040
ACCOUNTS PAYABLE	61,452	537,974	49,429	2,072,357	4,127	121,770		2,847,109
WAGES PAYABLE	10,536	5,093	3,369	33,320	-	18,085		70,403
ACCRUED LIABILITIES	-	-	-	35,320	-	-		35,320
ACCRUED INTEREST PAYABLE	16,722	3,536	17,273	17,549	3,743	-		58,823
DEFERRED REVENUE	997,159	121,343	995,980	474,805	-	-		2,589,287
CURRENT PORTION COMPENSATED ABSENCES	70,834	17,650	30,768	200,177	-	7,827		327,256
CURRENT MATURITIES OF LONG-TERM OBLIGATIONS	226,750	77,585	234,170	340,091	130,000	41,174		1,049,770
	4,058,543	1,323,186	1,330,989	3,173,619	137,870	592,801		10,617,008
TOTAL CURRENT LIABILITIES								
NON-CURRENT LIABILITIES								
CUSTOMER DEPOSITS	-	-	-	110,354	-	-		110,354
COMPENSATED ABSENCES	23,611	5,884	10,256	66,726	-	2,609		109,086
CAPITAL LEASES PAYABLE, LESS CURRENT MATURITIES	-	-	-	31,439	-	41,985		73,424
BONDS PAYABLE, LESS CURRENT MATURITIES	2,673,941	707,550	2,915,266	4,085,396	1,525,000	-		11,907,153
	2,697,552	713,434	2,925,522	4,293,915	1,525,000	44,594		12,200,017
TOTAL NON-CURRENT LIABILITIES								
	6,756,095	2,036,620	4,256,511	7,467,534	1,662,870	637,395		22,817,025
TOTAL LIABILITIES								
NET ASSETS								
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	14,557,112	18,155,410	15,232,425	28,158,816	11,848,228	654,999		88,606,990
RESTRICTED FOR CAPITAL PROJECTS	1,478,982	545,950	253,892	-	-	-		2,278,824
UNRESERVED	(1,181,082)	(358,382)	457,126	3,894,080	508,483	(432,222)		2,888,003
	14,855,012	18,342,978	15,943,443	32,052,896	12,356,711	222,777		93,773,817
TOTAL NET ASSETS								
	\$ 21,611,107	\$ 20,379,598	\$ 20,199,954	\$ 39,520,430	\$ 14,019,581	\$ 860,172	\$	\$ 116,590,842
TOTAL LIABILITIES AND NET ASSETS								

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LEHI CITY CORPORATION
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES						NONMAJOR	
							ENTERPRISE FUNDS	TOTALS
	CULINARY WATER	SEWER	PRESSURIZED IRRIGATION	ELECTRIC	DRAINAGE			
OPERATING REVENUES (PLEGGED AS SECURITY FOR REVENUE BONDS)								
CHARGES FOR SERVICES	\$ 1,222,652	\$ 1,802,658	\$ 1,042,462	\$ 14,607,311	\$ 381,558	\$ 1,454,314	\$	\$ 20,510,955
HOOK-UP AND SERVICING FEES	366,709	-	91,852	128,631	-	-	-	587,192
ADMISSION AND LESSON FEES	-	-	-	-	-	64,963	-	64,963
CONCESSION AND RENTAL REVENUES	-	-	-	-	-	17,022	-	17,022
MISCELLANEOUS REVENUES	78,831	235,386	25	98,696	12,709	-	-	425,647
TOTAL OPERATING REVENUES	1,668,192	2,038,044	1,134,339	14,834,638	394,267	1,536,299		21,605,779
OPERATING EXPENSES								
PERSONNEL	685,870	205,059	153,442	1,331,976	-	362,366		2,738,713
- GENERAL ADMINISTRATION	53,182	23,885	4,086	74,651	26,845	22,937		205,586
OPERATING AND MAINTENANCE	395,259	1,794,512	593,291	11,895,405	6,542	1,382,597		16,067,606
DEPRECIATION	552,747	456,601	467,072	1,276,631	300,394	102,516		3,155,961
TOTAL OPERATING EXPENSES	1,687,058	2,480,057	1,217,891	14,578,663	333,781	1,870,416		22,167,866
OPERATING INCOME (LOSS)	(18,866)	(442,013)	(83,552)	255,975	60,486	(334,117)		(562,087)
NON-OPERATING REVENUES (EXPENSES)								
INTERGOVERNMENTAL REVENUE	-	-	-	-	-	11,308		11,308
IMPACT FEE REVENUE (PLEGGED AS SECURITY FOR REVENUE BONDS)	1,156,193	557,380	1,682,501	1,260,392	-	-		4,656,466
INTEREST INCOME	26,922	28,503	76,903	93,016	5,200	-		230,544
GAIN (LOSS) ON SALE OF CAPITAL ASSETS	4,500	-	-	(33,431)	-	-		(28,931)
INTEREST EXPENSE	(113,545)	(44,892)	(144,665)	(244,246)	(95,827)	(3,403)		(646,578)
AMORTIZATION OF BOND ISSUE COSTS	(5,881)	(5,007)	(5,666)	(6,439)	(4,878)	-		(27,871)
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,068,189	535,984	1,609,073	1,069,292	(95,505)	7,905		4,194,938
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	1,049,323	93,971	1,525,521	1,325,267	(35,019)	(326,212)		3,632,851
CAPITAL CONTRIBUTIONS	140,360	1,598,873	419,827	2,656,479	1,706,661	-		6,522,200
OPERATING TRANSFERS FROM OTHER FUNDS	-	-	-	-	-	223,100		223,100
OPERATING TRANSFERS TO OTHER FUNDS	(135,000)	(115,000)	(100,000)	(200,000)	-	-		(550,000)
CHANGE IN NET ASSETS	1,054,683	1,577,844	1,845,348	3,781,746	1,671,642	(103,112)		9,828,151
NET ASSETS AT BEGINNING OF YEAR	13,800,329	16,765,134	14,098,095	28,271,150	10,685,069	325,889		83,945,666
NET ASSETS AT END OF YEAR	\$ 14,855,012	\$ 18,342,978	\$ 15,943,443	\$ 32,052,896	\$ 12,356,711	\$ 222,777	\$	\$ 93,773,817

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LEHI CITY CORPORATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES						NONMAJOR ENTERPRISE FUNDS		TOTALS
	CULINARY WATER	SEWER	PRESSURIZED IRRIGATION	ELECTRIC	DRAINAGE				
CASH FLOWS FROM OPERATING ACTIVITIES									
CASH RECEIVED FROM CUSTOMERS	\$ 1,593,781	\$ 1,785,695	\$ 1,132,562	\$ 15,176,528	\$ 379,171	\$ 1,509,108	\$ 21,576,845		
CASH PAID TO SUPPLIERS	(476,621)	(1,711,550)	(622,281)	(13,692,764)	(54,843)	(1,401,511)	(17,959,570)		
CASH PAID TO EMPLOYEES	(665,244)	(193,888)	(144,873)	(1,279,532)	-	(360,798)	(2,644,335)		
RECEIPTS (PAYMENTS) FROM OTHER FUNDS	649,127	184,694	(235,542)	-	-	79,086	677,365		
OTHER RECEIPTS (PAYMENTS)	78,831	235,386	25	125,933	12,709	-	452,884		
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,179,874	300,337	129,891	330,165	337,037	(174,115)	2,103,189		
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES									
INTERGOVERNMENTAL REVENUE	-	-	-	-	-	11,308	11,308		
TRANSFERS IN	-	-	-	-	-	223,100	223,100		
TRANSFERS OUT	(135,000)	(115,000)	(100,000)	(200,000)	-	-	(550,000)		
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	(135,000)	(115,000)	(100,000)	(200,000)	-	234,408	(315,592)		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(1,175,763)	(272,725)	(1,228,083)	(63,096)	(5,940)	(41,939)	(2,787,546)		
ACQUISITION OF WATER STOCK AND RIGHTS	-	-	-	-	-	-	-		
PAYMENTS RECEIVED ON SPECIAL ASSESSMENTS RECEIVABLE	52,728	60,914	213,928	245,457	-	-	573,027		
PROCEEDS FROM ISSUANCE OF BONDS	-	-	-	-	-	-	-		
CONTRIBUTIONS FROM DEVELOPERS	-	-	-	-	-	-	-		
PRINCIPAL PAID ON BONDS	(259,004)	(117,451)	(382,647)	(475,459)	(125,000)	-	(1,359,561)		
INTEREST PAID ON BONDS	(115,934)	(47,404)	(147,409)	(233,412)	(96,088)	-	(640,247)		
BOND ISSUED COSTS PAID	-	-	-	(38,341)	-	-	(82,887)		
PAYMENTS MADE ON CAPITAL LEASES	-	-	-	(4,586)	-	(44,546)	(7,989)		
INTEREST PAID ON CAPITAL LEASES	-	-	-	16,683	-	(3,403)	21,183		
PROCEEDS FROM SALE OF CAPITAL ASSETS	4,500	-	-	-	-	-	-		
IMPACT FEES COLLECTED	1,156,193	557,380	1,682,501	1,260,392	-	-	4,656,466		
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(337,280)	180,714	138,290	707,638	(227,028)	(89,888)	372,446		
CASH FLOWS FROM INVESTING ACTIVITIES									
ISSUANCE OF NOTES RECEIVABLE	(222,654)	-	-	-	-	-	(222,654)		
PAYMENTS RECEIVED ON NOTES RECEIVABLE	138,700	-	-	-	-	-	138,700		
INTEREST INCOME COLLECTED	26,922	28,503	76,903	93,016	5,200	-	230,544		
NET CASH PROVIDED BY INVESTING ACTIVITIES	(57,032)	28,503	76,903	93,016	5,200	-	146,590		

CONTINUED

LEHI CITY CORPORATION
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES						NONMAJOR	
	CULINARY WATER	SEWER	PRESSURIZED IRRIGATION	ELECTRIC	DRAINAGE	ENTERPRISE FUNDS	TOTALS	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	650,562	394,554	245,084	930,819	115,209	(29,595)	2,306,633	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,272,325	520,998	438,176	605,000	353,719	29,595	3,219,813	
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,922,887</u>	<u>\$ 915,552</u>	<u>\$ 683,260</u>	<u>\$ 1,535,819</u>	<u>\$ 468,928</u>	<u>\$ -</u>	<u>\$ 5,526,446</u>	
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSISTS OF:								
UNRESTRICTED CASH	\$ 128,291	\$ 131,068	\$ 117,111	\$ 1,135,063	\$ 247,809	\$ -	\$ 1,759,342	
RESTRICTED CASH	1,794,596	784,484	566,149	400,756	221,119	-	3,767,104	
	<u>\$ 1,922,887</u>	<u>\$ 915,552</u>	<u>\$ 683,260</u>	<u>\$ 1,535,819</u>	<u>\$ 468,928</u>	<u>\$ -</u>	<u>\$ 5,526,446</u>	
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES								
CAPITAL ASSETS ACQUIRED IN EXCHANGE FOR BUILDING PERMITS ISSUED	\$ 976,509	\$ 121,344	\$ 995,980	\$ 474,804	\$ -	\$ -	\$ 2,568,637	
CONTRIBUTIONS OF CAPITAL ASSETS FROM DEVELOPERS	140,360	1,598,873	419,827	2,656,479	1,706,661	-	6,522,200	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:								
OPERATING INCOME (LOSS)	\$ (18,866)	\$ (442,013)	\$ (83,552)	\$ 255,975	\$ 60,486	\$ (334,117)	\$ (562,087)	
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES								
DEPRECIATION	552,747	456,601	467,072	1,276,631	300,394	102,516	3,155,961	
CHANGES IN ASSETS AND LIABILITIES								
ACCOUNTS RECEIVABLE	4,420	(16,963)	(1,752)	440,586	(2,387)	(27,190)	396,714	
INVENTORY	(73,494)	87	(18,307)	(1,322,925)	-	-	(1,414,639)	
ACCOUNTS PAYABLE	45,313	106,760	(6,597)	(399,401)	(21,456)	3,996	(271,385)	
LIABILITIES PAYABLE FROM RESTRICTED ASSETS	-	-	-	-	-	-	-	
ACCRUED LIABILITIES	(260)	2,184	1,318	8,167	-	-	11,409	
COMPENSATED ABSENCES	20,887	8,987	7,251	43,895	-	1,594	82,614	
CUSTOMER DEPOSITS	-	-	-	27,237	-	-	27,237	
DUE TO OTHER FUNDS	649,127	184,694	(235,542)	-	-	79,086	677,365	
DEFERRED REVENUE	-	-	-	-	-	-	-	
	<u>\$ 1,179,874</u>	<u>\$ 300,337</u>	<u>\$ 129,891</u>	<u>\$ 330,165</u>	<u>\$ 337,037</u>	<u>\$ -</u>	<u>\$ 2,103,189</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lehi City Corporation (the City) was incorporated under the laws of the State of Utah in 1852 and operates under an elected Mayor-Council form of government. The City's major operations include police and fire protection, parks, library and recreation, public works, community development and general administrative services. In addition, the City owns and operates culinary water, pressurized irrigation, sewer, drainage, and power systems.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

Reporting Entity

These financial statements present the City (primary government) and its component units, organizations that are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. Blended component units, although legal separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Each blended component unit has a June 30 year end. The following entities are reported as blended component units:

The Lehi City Redevelopment Agency - The Lehi City Redevelopment Agency (RDA) serves all the citizens of the City and is governed by a board comprised of the City Council. In conformity with generally accepted accounting principles, the financial statements of the RDA have been included in the financial reporting entity as a special revenue fund and a debt service fund. Separate financial statements are not issued for the RDA.

The Lehi City Municipal Building Authority - The Lehi City Municipal Building Authority (MBA) was created to finance and construct municipal buildings, which are then leased to the City. The MBA is governed by a board comprised of the City Council. The MBA has been included in the financial reporting entity as a capital projects fund. Separate financial statements are not issued for the MBA.

The City's discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. The following entity is reported as a discretely presented component unit:

The Hutchings Museum - The Hutchings Museum is a separate non-profit entity under its own articles of incorporation. The Lehi City Mayor and Council appoint and approve the Museum Board of Directors. The City has financial responsibility for the operations of the Museum. The assets and inventories of the Hutchings Museum are controlled and maintained by the Board. Separate financial statements are not issued for the Hutchings Museum.

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements – Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks, library and recreation, streets, community development and general administrative services are classified as governmental activities. The City's culinary water, sewer, pressurized irrigation, electric, drainage, garbage, ambulance and swimming pool services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (public safety, community development, streets, etc.). The functions are also supported by general government revenues (property, sales and franchise taxes, impact fees, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales and franchise taxes, etc.).

The City does not allocate indirect expenses.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate.

The following fund types are used by the City:

Governmental Funds

The focus of the governmental funds' measurement (in the fund financial statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- **General fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounting for in another fund.
- **Special revenue funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- **Debt service funds** are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
- **Capital projects funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type proprietary funds).

Proprietary Funds

The focus of proprietary fund measurement is upon the determination of net income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The City's proprietary funds consist of:

- **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is (a) financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities category. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures, or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under this basis, revenues are recognized when susceptible to accrual; i.e., both measurable and available.

"Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Cash and cash equivalents

The City has defined cash and cash equivalents to include cash on hand, demand deposits, cash with fiscal agents and short-term investments with original maturity of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, certain qualifying commercial paper, repurchase agreements and bankers' acceptances, and negotiable or nonnegotiable deposits of qualified depositories and the Utah Public Treasurers' Investment Fund.

Investments for the City are reported at fair value. The Utah Public Treasurers' Investment Fund operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Restricted cash and cash equivalents

Certain restricted cash and cash equivalents are held by a fiscal agent for the redemption of bonded debt and for acquisition and construction of capital projects.

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Inventories

Inventories in the proprietary funds consist of materials used in the construction and repair of the transmission, distribution, collection, and treatment systems are valued at the lower of cost or market on a weighted average basis. Supplies inventories, consisting principally of office supplies, are valued at the lower of cost or market on a first-in, first-out basis. Transformers are valued at the lower of cost or market on a specific identification basis.

Capital assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on these assets is computed using the straight-line method over their estimated useful lives as follows:

	<u>Years</u>
Buildings and structures	10-50
Improvements, including distribution systems and other infrastructure	10-50
Machinery, equipment, and vehicles	5-15
Office furniture and equipment	10-50

GASB No. 34 requires the City to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities) traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first required for fiscal years ending in 2007.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is reported on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is reported in the year in which the resources are measurable and become available.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, matching requirements and expenditure requirements. On a modified accrual basis, revenue from a nonexchange transaction must also be available before it can be recognized.

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: intergovernmental revenue, sales and franchise taxes, charges for services, interest, and other fees.

Property taxes and special assessments are measurable and susceptible to accrual when they attach as an enforceable lien on the property. They become available when they are due. Amounts that are measurable but not available are recorded as deferred revenue. Property taxes become an enforceable lien on January 1 but are not due until November 30. Special assessments become an enforceable lien when assessed.

The City records utility revenues billed to its customers when meters are read at the end of each month. There are no unbilled accounts receivable at June 30, 2005. The accounts receivable for these revenues are reported net of the allowance for doubtful accounts (\$300,000 at June 30, 2005.)

Compensated Absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis and is fully vested when earned. Accumulated vacation cannot exceed 80 hours at the end of any calendar year and any vacation in excess of this amount is forfeited. At retirement, death, or termination, all unpaid accrued vacation is paid to the beneficiary. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid or at termination. The current portion is determined by the City to be the portion of vacation pay due employees who terminated prior to year-end. .

Accumulated sick leave is earned at a rate of one day per month. Employees may accumulate unlimited sick leave. Upon retirement, employees may elect to be paid 25% of outstanding sick pay or may have 75% of outstanding sick pay deposited into an annuity account for their benefit. Proprietary funds expense 75% of sick pay when it is earned by the employee. Governmental funds report an expenditure when the sick pay is paid. The current portion is the accrued sick pay for employees of governmental funds who terminated prior to year end.

The noncurrent portion of these amounts (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and, in the government-wide statement of activities, reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Fund Equity Reserves

Fund balance – in the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated for a specific purpose.

Restricted net assets – in the government wide financial statements as well as the proprietary fund financial statements, restricted net assets are legally restricted by outside parties for a specific purpose.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund.

Estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

Bond issue costs

Bond issuance costs are capitalized and amortized over the terms of the respective bonds using a method which approximates the effective interest method.

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budgets and budgetary control

Annual budgets are prepared and adopted, in accordance with state law, by the Mayor and City Council on or before June 22 for the following fiscal year, beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in several different funds, including the General Fund, Special Revenue Fund, Debt Service Fund and Capital Projects Fund. The level of the City's budgetary control (that is, the level at which the City's expenditures cannot legally exceed the appropriated amounts) is established by activity and purpose within an individual fund. Each department head is responsible to the Mayor and City Council for spending within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unrestricted General Fund balance until it exceeds 5% of the General Fund revenues. Until unreserved fund balance is greater than the above amount, it cannot be budgeted, but is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. When unreserved fund balance is greater than 18% of the next year's budgeted revenues, the excess must be appropriated within the following two years.

Once adopted, the budget can be amended by subsequent City Council action. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held to increase total appropriations of any governmental fund. With the consent of the Finance Director, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year.

Budgetary information included in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the General Fund and the Redevelopment Agency are prepared on the modified accrual basis of accounting. Encumbrance accounting is not used by the City.

NOTE B – DEPOSITS AND INVESTMENTS

The City's deposits and investing are governed by the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The Money Management Act requires deposits be in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE B – DEPOSITS AND INVESTMENTS - CONTINUED

The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the City at June 30, 2005 were \$1,317,721, \$1,045,000 of which was exposed to custodial credit risk as uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of investment securities.

The Act authorizes investments in both negotiable and nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rate "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; and shares or certificates in a money market mutual fund as defined in the Act.

The City's investments at June 30, 2005 are presented below:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Debt Securities					
Utah Public Treasurer's					
Investment Fund	\$11,627,665	\$11,627,665	\$ -	\$ -	\$ -
U.S. Treasuries	254,051	254,051	-	-	-
Money Market Fund	27,346	27,346			

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

The City's policy for managing interest rate risk is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE B – DEPOSITS AND INVESTMENTS – CONTINUED

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City follows the Money Management Act as previously discussed as its policy for reducing exposure to investment credit risk. The City's rated debt investments are presented below:

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
<u>Debt Securities</u>					
Utah Public Treasurer's					
Investment Fund	\$11,627,665	\$ -	\$ -	\$ -	\$11,627,665
U.S. Treasuries	254,051	254,051	-	-	-
Money Market Fund	27,346	27,346	-	-	-

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counter party, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

At June 30, 2005, the City had invested \$254,051 in U.S. Treasury Securities where the underlying securities are held by the counterparty, or by its trust department or agent but not in the City's name.

The remainder of the City's investments at June 30, 2005 were with the Utah Public Treasurer's Investment Fund (\$11,627,665) and the Dreyfus Treasury Cash Management Money Market Fund (\$27,346) and therefore are not categorized as to custodial credit risk. Additional information regarding the Utah Public Treasurer's Investment Fund is available at Note C.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer.

The City's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the portfolio. The Money Management Council limitations do not apply to securities issued by the U.S. government and its agencies.

At June 30, 2005, the City did not have more than 5 percent of its investments in any single issuer other than the amounts invested with the Utah Public Treasurer's Investment Fund. The Utah Public Treasurer's Investment Fund is not categorized as to concentration of credit risk. Additional information regarding the Utah Public Treasurer's Investment Fund is available at Note C.

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE C – EXTERNAL INVESTMENT POOL

The City invests in the Public Treasurer's Investment Fund (PTIF) which is an external investment pool administered by Utah State Public Treasurer. State agencies, municipalities, counties, and local governments within the State of Utah are allowed to invest in the PTIF. There is no required participation and no minimum balance or minimum/maximum transaction requirements.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Chapter 51-7, Utah Code Annotated, 1953, as amended. The Act establishes the Money Management Council which oversees the activities of the State Treasurer and the PTIF. The Act details the investments that are authorized which are high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah and participants share proportionally in any realized gains or losses on investments.

The PTIF allocates income and issues statements on a monthly basis. The PTIF operates and reports to participants on an amortized cost basis. The participants' balance is their investment deposited in the PTIF plus their share of income, gains and losses, net of administration fees, which are allocated to each participant on the ratio of each participant's share to the total funds in the PTIF.

Twice a year, at June 30 and December 31, the investments are valued at fair value to enable participants to adjust their investments in this pool at fair value. The Bank of New York and the State of Utah separately determine each security's fair value in accordance with GASB 31 (i.e. for almost all pool investments the quoted market price as of June 30, 2004) and then compare those values to come up with an agreed upon fair value of the securities.

As of June 30, 2005, the City had \$11,627,665 invested in the PTIF which had a fair value of \$11,629,456 for a gain of \$1,791. Due to the insignificance of this amount in relation to the funds affected by the unrealized gain, the fair value of investments in this external investment pool is deemed to be the amortized cost of the investment. The table below shows statistical information about the investment pool:

Investment Type	Investment Percentage
Corporate bonds and notes	56.61%
Money Markets and Certificates of deposit	9.39%
U.S. Government securities	34.00%
	<u>100.00%</u>

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE D – RESTRICTED ASSETS

The balances of the City's restricted asset accounts are as follows:

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Excise bond construction account	\$ 1,862,779	\$ -	\$1,862,779	\$ -
Sales tax bond construction accounts	254,702	-	254,702	-
Special assessment bonds construction account	-	46,929	46,929	-
Special assessment bonds future debt service	884,536	21,497	956,787	-
Unexpended impact fees	2,389,930	2,278,824	4,668,754	-
Revenue bond construction account	-	543,089	543,089	-
Revenue bond current debt service accounts	-	27,734	27,734	-
Revenue bond future debt service accounts	-	849,031	849,031	-
Component unit endowment account	-	-	-	7,500
	<u>\$5,391,947</u>	<u>\$3,767,104</u>	<u>\$9,159,051</u>	<u>\$7,500</u>

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 is as follows:

	July 1, 2004	Increases	Decreases	June 30, 2005
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$ 27,491,654	\$ 4,555,672	\$ 159,412	\$ 31,887,914
Construction in progress	2,034,410	5,032,764	1,152,354	5,914,820
Total nondepreciable capital assets	<u>\$ 29,526,064</u>	<u>\$ 9,588,436</u>	<u>\$1,311,766</u>	<u>\$ 37,802,734</u>
Depreciable capital assets:				
Buildings	\$ 9,519,976	\$ 3,824,031	\$ -	\$ 13,344,007
Improvements, including infrastructure	86,656,739	11,424,838	-	98,081,577
Machinery, equipment and vehicles	6,590,586	1,224,939	83,731	7,731,794
Office furniture and equipment	753,942	154,946	-	908,888
Total depreciable capital assets at historical cost	<u>103,521,243</u>	<u>16,628,754</u>	<u>83,731</u>	<u>120,066,266</u>
Less accumulated depreciation:				
Buildings	1,284,186	402,478	-	1,686,664
Improvements, including infrastructure	10,631,645	2,734,066	-	13,365,711
Machinery, equipment and vehicles	3,725,327	589,653	66,265	4,248,715
Office furniture and equipment	529,926	71,004	-	600,930
Total accumulated depreciation	<u>16,171,084</u>	<u>3,797,201</u>	<u>66,265</u>	<u>19,902,020</u>
Depreciable capital assets, net of accumulated depreciation	<u>\$ 87,350,159</u>	<u>\$ 12,831,553</u>	<u>\$ 17,466</u>	<u>\$100,164,246</u>

Depreciation was charged to functions as follows:

Governmental activities:

General government	\$ 155,068
Public safety	301,054
Community development	32,066
Streets and highways	2,774,546
Parks, recreation and culture	502,233
Cemetery	32,234
	<u>\$3,797,201</u>

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE E – CAPITAL ASSETS – CONTINUED

	July 1, 2004	Increases	Decreases	June 30, 2005
Business-type Activities:				
Nondepreciable capital assets:				
Land	\$ 1,710,482	\$ 106,000	\$ -	\$ 1,816,482
Construction in progress	315,815	48,578	316,740	47,653
Total nondepreciable capital assets	<u>\$ 2,026,297</u>	<u>\$ 154,578</u>	<u>\$ 316,740</u>	<u>\$ 1,864,135</u>
Depreciable capital assets:				
Buildings	\$ 2,262,765	\$ -	\$ -	\$ 2,262,765
Improvements, including distribution systems	101,384,508	11,850,017	-	113,234,525
Machinery, equipment and vehicles	3,929,338	190,528	69,771	4,050,095
Office furniture and equipment	162,357	-	-	162,357
Total depreciable capital assets at historical cost	<u>107,738,968</u>	<u>12,040,545</u>	<u>69,771</u>	<u>119,709,742</u>
Less accumulated depreciation:				
Buildings	366,823	69,118	-	435,941
Improvements, including distribution systems	14,481,746	2,796,428	-	17,278,174
Machinery, equipment and vehicles	2,126,553	286,116	19,657	2,393,012
Office furniture and equipment	151,727	4,299	-	156,026
Total accumulated depreciation	<u>17,126,849</u>	<u>3,155,961</u>	<u>19,657</u>	<u>20,263,153</u>
Depreciable capital assets, net of accumulated depreciation	<u>\$90,612,119</u>	<u>\$8,884,584</u>	<u>\$ 50,114</u>	<u>\$99,446,589</u>
Depreciation was charged to functions as follows:				
Business-type activities:				
Culinary water			\$ 552,747	
Sewer			456,601	
Pressurized irrigation			467,072	
Electric			1,276,631	
Drainage			300,394	
Swimming pool			49,005	
Ambulance			53,511	
			<u>\$3,155,961</u>	

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE E – CAPITAL ASSETS – CONTINUED

	July 1, 2004	Increases	Decreases	June 30, 2005
Discretely Presented Component Unit:				
Nondepreciable capital assets:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Depreciable capital assets:				
Buildings	\$189,200	\$ -	\$ -	\$189,200
Improvements	299,872	4,015	-	303,887
Office furniture and equipment	62,295	9,899	-	72,194
Total depreciable capital assets at historical cost	551,367	13,914	-	565,281
Less accumulated depreciation:				
Buildings	56,773	4,730	-	61,503
Improvements	62,317	8,066	-	70,383
Office furniture and equipment	40,653	2,932	-	43,585
Total accumulated depreciation	159,743	15,728	-	175,471
Depreciable capital assets, net of accumulated depreciation	\$391,624	\$(1,814)	\$ -	\$389,810

NOTE F – CUSTOMER DEPOSITS

Business-type activity deposits are enterprise fund customer deposits the City requires from renters or businesses before they receive utility connection. The deposit is returnable when the residence is vacated by the renter, or the business has established a history of meeting its obligations to the City promptly.

NOTE G – LONG-TERM DEBT

Long-term debt consists of the following as of June 30, 2005:

Governmental activities

1999 Excise tax bonds	
\$2,500,000 excise tax term bonds due December 1, 2009 with interest at 3.6% to 4.45%	\$ 1,375,000
2003 Excise tax bonds	
\$3,130,000 excise tax term bonds due June 1, 2013 with interest at 2.5% to 3.2%	2,740,000
2003 Sales tax revenue bonds	
\$3,900,000 sales tax revenue term bonds due serially through June 1, 2024 with interest at 3.6% to 4.625%	3,900,000
2004 Sales tax revenue and refunding bonds	
\$8,345,000 sales tax revenue and refunding term bonds due serially through June 1, 2024 with interest at 2.25% to 5.0%	7,885,000

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE G – LONG-TERM DEBT – CONTINUED

Governmental activities - continued

2001 Special assessment bonds

59.2% of \$9,065,000 special assessment bonds due serially through 2016 with interest at 5.55% 3,780,987

2004 Subordinated sales tax revenue bonds

\$9,000,000 authorized, \$5,251,200 issued through June 30, 2005
sales tax revenue bonds due in annual installments equal to 87.5% of the local sales and use tax and 100% of the transient room tax collected from the Cabela's Retail Store Project area, due in 2024 5,251,200

Capital lease obligations

Payable in annual installments ranging from \$17,588 to \$60,605 including interest at 3.75% to 5.6%, maturing between 2006 and 2008 292,194

Tax increment note payable to developer

Due in annual installments equal to 70% of the tax increment received by the RDA from the Alpine Highway Project, including interest at 6.5%, due in 2009 39,127,461

1996 Sewer revenue bonds

63.5% of \$2,400,000 in sewer revenue bonds due serially through 2011 with interest rates ranging from 3.7% to 5.7% 860,425

Compensated absences

1,005,594

Landfill closure and postclosure care liability

100,608

Total governmental activities long-term debt

\$66,318,469

Business-type activities

1998 Electric refunding and revenue bonds

\$4,785,000 electric refunding and revenue bonds due serially through 2018 with interest rates ranging from 3.0% to 4.5% \$ 3,269,798

2003 Water refunding bonds

\$3,980,000 water revenue bonds due serially through 2020 with interest rates ranging from 2.5% to 3.9% 3,598,304

1999 Water refunding bonds

\$1,740,000 water refunding bonds due serially through 2015 with interest at 3.25% to 4.9% 1,240,000

1996 Sewer revenue bonds

36.5% of \$2,400,000 in sewer revenue bonds due serially through 2011 with interest rates ranging from 3.7% to 5.7% 508,311

2000 Drainage revenue bonds

\$2,200,000 in drainage revenue bonds due serially through 2015 with interest rates ranging from 4.3% to 5.6% 1,655,000

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE G - LONG-TERM DEBT - CONTINUED

Business-type activities - continued

2001 Special assessment bonds

40.8% of \$9,065,000 special assessment bonds due serially through 2016 with interest at 5.55%

2,604,125

Capital lease obligations

Payable in annual installments ranging from \$22,330 to \$42,928 including interest at 4.22% to 4.77%, maturing between 2006 and 2008

154,809

Compensated absences

436,342

\$13,466,689

The following is a summary of the changes in governmental activities long-term debt for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Amounts due in 2006
Governmental activities					
Bonds, notes and leases payable					
1999 Excise tax bonds	\$ 1,615,000	\$ -	\$ 240,000	\$ 1,375,000	\$ 250,000
2003 Excise tax bonds	2,940,000	-	200,000	2,740,000	205,000
2003 Sales tax revenue bonds	3,900,000	-	-	3,900,000	-
2004 Sales tax revenue and refunding bonds	8,345,000	-	460,000	7,885,000	480,000
Capital lease obligations	547,623	-	255,429	292,194	161,297
2004 Subordinated sales tax revenue bonds	-	5,251,200	-	5,251,200	230,000
Special assessment bonds	4,612,888	-	831,901	3,780,987	236,840
Tax increment note payable to developer	39,006,764	148,285	27,588	39,127,461	50,000
1996 Sewer revenue bonds*	958,850	-	98,425	860,425	104,775
Total bonds, notes and leases payable	61,926,125	5,399,485	2,113,343	65,212,267	1,717,912
Other liabilities:					
Compensated absences	831,344	922,460	748,210	1,005,594	905,035
Landfill closure and post-closure care liability	100,608	-	-	100,608	-
Total other liabilities	931,952	922,460	748,210	1,106,202	905,035
Governmental activities long-term debt	<u>\$62,858,077</u>	<u>\$ 6,321,945</u>	<u>\$2,861,553</u>	<u>\$66,318,469</u>	<u>\$2,622,947</u>

*63.5% of the 1996 Sewer Revenue bonds will be repaid by the RDA, with the remaining 36.5% payable by the Sewer Fund. Therefore, the bonds are segregated between governmental activities and business-type activities.

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE G – LONG-TERM DEBT - CONTINUED

For the governmental activities, compensated absences are generally liquidated by the general fund. Capital project funds predominantly provide debt service for the excise tax bonds, special assessment bonds and lease revenue bonds. The debt service for the note payable to developer and the RDA's portion of the 1996 sewer bonds is provided by the RDA.

As of June 30, 2005, annual debt service requirements of governmental activities to maturity are as follows:

Year ending June 30,	Excise Tax Bonds		Sewer Revenue Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 455,000	\$134,420	\$104,775	\$ 44,069
2007	475,000	118,919	111,125	37,944
2008	490,000	102,821	114,300	31,718
2009	505,000	85,038	120,650	25,375
2010	525,000	65,009	130,175	18,602
2011-2015	1,665,000	104,400	279,400	15,259
	<u>\$4,115,000</u>	<u>\$610,607</u>	<u>\$860,425</u>	<u>\$172,967</u>

Year ending June 30,	Sales Tax Revenue Bonds	
	Principal	Interest
2006	\$ 480,000	\$ 454,353
2007	500,000	444,203
2008	500,000	433,516
2009	515,000	420,819
2010	525,000	406,185
2011-2013	2,795,000	1,737,499
2014-2018	3,270,000	1,141,637
2019-2023	3,200,000	316,195
	<u>\$11,785,000</u>	<u>\$5,354,407</u>

Year ending June 30,	Special Assessment Bonds	
	Principal	Interest
2006	\$ 236,840	\$ 209,821
2007	254,603	196,677
2008	269,406	182,546
2009	290,129	167,594
2010	307,892	151,492
2011-2013	2,024,983	470,248
2014-2018	397,134	22,017
	<u>\$3,780,987</u>	<u>\$1,400,395</u>

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE G - LONG-TERM DEBT - CONTINUED

The following is a summary of the changes in business-type activities long-term debt for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Amounts due in 2006
Business-type activities:					
Bonds, notes and leases payable					
1998 Electric refunding bonds	\$3,491,648	\$ -	\$ 221,850	\$3,269,798	\$ 230,000
2003 Water refunding bonds	3,879,858	-	281,554	3,598,304	285,000
1999 Water refunding bonds	1,335,000	-	95,000	1,240,000	100,000
1996 Sewer revenue bonds*	566,848	-	58,537	508,311	60,225
2000 Drainage revenue bonds	1,780,000	-	125,000	1,655,000	130,000
2001 Special assessment bonds payable	3,177,111	-	572,986	2,604,125	163,160
Capital lease obligations	237,696	-	82,887	154,809	81,385
Total bonds, notes and leases payable	14,468,161	-	1,437,814	13,030,347	1,049,770
Compensated absences	353,729	365,596	282,983	436,342	327,256
Business-types activities long-term debt	\$14,821,890	\$365,596	\$1,720,797	\$13,466,689	\$1,377,026

As of June 30, 2005, annual debt service requirements of business-type activities to maturity are as follows:

Year ending June 30,	Electric Refunding Bonds		Water Refunding Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 230,000	\$ 148,680	\$ 385,000	\$ 170,345
2007	245,000	139,365	400,000	159,019
2008	250,000	129,320	415,000	147,235
2009	270,000	118,945	430,000	133,952
2010	280,000	107,605	345,000	119,327
2011-2015	1,430,000	342,675	1,895,000	399,956
2016-2020	630,000	61,440	945,000	111,885
	3,335,000	1,048,030	4,815,000	1,241,719
Plus unamortized premium (less unamortized loss on defeasance)	(65,202)	65,202	23,304	(23,304)
	\$3,269,798	\$1,113,232	\$4,838,304	\$1,218,415

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE G – LONG-TERM DEBT – CONTINUED

Year ending June 30,	Sewer Revenue Bonds		Drainage Revenue Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 60,225	\$ 25,331	\$ 130,000	\$ 89,837
2007	63,875	21,810	135,000	83,207
2008	65,700	18,232	145,000	76,255
2009	69,350	14,585	150,000	68,715
2010	74,825	10,693	160,000	60,840
2011-2015	160,600	8,771	935,000	162,680
	494,575	99,422	1,655,000	541,534
Plus unamortized premium	13,736	(13,736)	-	-
	<u>\$508,311</u>	<u>\$85,686</u>	<u>\$1,655,000</u>	<u>\$541,534</u>

Year ending June 30,	Special Assessment Bonds	
	Principal	Interest
2006	\$ 163,160	\$ 144,547
2007	175,397	135,491
2008	185,595	125,756
2009	199,871	115,456
2010	212,108	104,363
2011-2015	1,395,019	323,956
2016-2020	272,975	15,168
	<u>\$2,604,125</u>	<u>\$964,737</u>

The City issued \$9,065,000 of special assessment bonds in 2001 to provide funds for the construction of streets, electric, water and sewer infrastructure in new residential and commercial developments. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are received.

The amortization of compensated absences, subordinated sales tax revenues bonds, and the tax increment note payable to developer have not been included in the above schedules due to the uncertainty of the timing of the payments.

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE G – LONG-TERM DEBT – CONTINUED

All outstanding revenue bonds are secured by a first lien on net revenues earned by the City. Net revenues are defined in the revenue bond agreements. The City is required to establish rates (including connection fees) sufficient to pay the operation and maintenance expenses and to provide net revenues in an amount not less than 125% of the aggregate annual debt service requirement for the forthcoming fiscal year. The following summarizes the debt service coverage calculations for the various revenue bonds:

	Electric Revenue Bonds	Water Revenue Bonds*	Drainage Revenue Bonds	Sewer Revenue Bonds
Net revenues				
Operating revenues	\$14,834,638	\$ 2,802,531	\$394,267	\$2,038,044
Operating expenses (excluding depreciation)	(13,302,032)	(1,885,130)	(33,387)	(2,023,456)
Impact fee revenues	1,260,392	2,838,694	-	557,380
Interest income	93,016	103,825	5,200	28,503
	<u>2,886,014</u>	<u>3,859,920</u>	<u>366,080</u>	<u>600,471</u>
Debt service funded in 2005 by the RDA on the sewer revenue bonds	-	-	-	148,285
Net revenues	<u>\$ 2,886,014</u>	<u>\$ 3,859,920</u>	<u>\$366,080</u>	<u>\$ 748,756</u>
Aggregate debt service for 2006	<u>\$ 378,680</u>	<u>\$ 555,345</u>	<u>219,837</u>	<u>\$ 234,400</u>
Ratio of net revenues to aggregate debt service	<u>7.62</u>	<u>6.95</u>	<u>1.67</u>	<u>3.19</u>
Minimum ratio	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>

*The net revenues calculation for the Water Revenue Bonds combines the related information from the Culinary Water Fund and the Pressurized Irrigation Fund.

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE G – LONG-TERM DEBT – CONTINUED

Prior Year Defeasance of Debt

In prior years, certain outstanding bonds were defeased by placing proceeds of bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the financial statements. At June 30, 2005, the following bonds are considered defeased:

	Bond Series	Defeased Balance
Governmental Activities:	2000 Lease Revenue Bonds	\$5,980,000
Business-type Activities:		
Electric fund	1994 Electric Revenue	\$1,095,000
Culinary Water and	1989 Water Revenue – Series B	325,531
Pressurized Irrigation	1989 Water Revenue – Series C	753,000
Funds		

NOTE H – CAPITAL LEASES

The City has entered into certain capital lease agreements under which the related equipment will become the property of the City when the terms of the lease agreement are met.

	Governmental Activities	Business-type Activities
2006	\$168,208	\$ 90,876
2007	84,112	54,523
2008	60,606	22,330
Thereafter	-	-
	312,926	167,726
Less amount representing interest	(20,732)	(12,920)
Present value of future minimum lease payments	\$292,194	\$154,809

Equipment and related accumulated depreciation under capital lease are as follows:

	Governmental Activities	Business-type Activities
Cost of equipment	\$459,467	\$399,291
Accumulated depreciation	321,627	63,981

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE I - RETIREMENT PLANS

Plan Description - The City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, Public Safety Contributory Retirement System, Firefighters Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Government Noncontributory Retirement System, the Public Safety Contributory Retirement System, and the Firefighters Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy - Plan members in the local Governmental Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all of which is paid by the City) and the City is required to contribute 7.08% of their annual covered salary. In the Local Governmental Noncontributory Retirement System the City is required to contribute 11.09% of their annual covered salary. In the Public Safety Contributory Retirement System, members are required to contribute 12.29% of their salary (all of which is paid by the City), and the City is required to pay 7.70% of members' annual salary. In the Public Safety Noncontributory Retirement System the City is required to contribute 19.08% of the members' annual covered salary. In the Firefighters Retirement System, members are required to contribute 8.61% of their annual covered salary (all of which is paid by the City), and the City is not required to contribute. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City contributions to the Local Governmental Contributory Retirement System for the years ended June 30, 2005, 2004, and 2003 were \$475, \$6,455, and \$5,555, respectively; for the Noncontributory Retirement System the contributions for June 30, 2005, 2004, and 2003 were \$429,206, \$357,107, and \$267,381, respectively; and for the Public Safety Contributory Retirement System, the contributions for the years ended June 30, 2005, 2004, and 2003, were \$180,213, \$233,293, and \$127,979, respectively; and for the Public Safety Noncontributory Retirement System, the contributions for the years ended June 30, 2005, 2004, and 2003 were \$46,566, \$23,930, and \$7,425, respectively. For the Firefighters Retirement System, the contributions for the years ended June 30, 2005, 2004, and 2003 were \$9,290, \$9,077, and \$7,413, respectively. The contributions were equal to the required contributions for each year.

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE J - DEFERRED COMPENSATION PLANS

The City sponsors a defined contribution deferred compensation plan administered by ICMA under the Internal Revenue Code Section 401(k) for City employees covered by the State's contributory and noncontributory retirement plans. The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City's total payroll in the fiscal year ended June 30, 2005, was approximately \$8,922,000. Of that amount, approximately \$7,217,000 was eligible to participate in the plan. The City participates at rates between 0% and 2.68% depending on the employees' contributions. The rate of City participation can be changed by the City Council. During the year ended June 30, 2004, contributions totaling \$133,763 were made to the plan by employees and \$215,261 by the City.

NOTE K - COMMITMENTS AND CONTIGENCIES

The City has entered into a contract expiring in 2027 with the Intermountain Power Agency (IPA) for the purchase of power. Under the terms of the agreement, the City is liable for an agreed-upon purchase amount of approximately .43% of production regardless of whether it is used. The City has also entered into an excess power sales agreement whereby all power purchased from IPA in excess of the City's need, will be sold to a group of California cities, thus relieving the City's excess power purchase liability.

The City is a member of Utah Associated Municipal Power System (UAMPS), a political subdivision of the State of Utah created to secure electric power for the members of UAMPS. As a member, the City has entered into power supply agreements with respect to various projects in which UAMPS participates. The total cost of the power the City will be required to purchase in future years is not determinable, however, at a minimum, in connection with these power supply agreements, the City will be required to fund debt service on the UAMPS bonds which, at June 30, 2005, had an outstanding balance of \$9,295,838. During the year ended June 30, 2005, the City purchased power totaling approximately \$11.1 million. The City has also agreed to deposit funds into an interest bearing account held by UAMPS to be reserved as working capital. At June 30, 2005, the City has deposited \$52,576 in this manner. This amount is shown on the accompanying balance sheet as working capital deposit with power supplier.

There are several pending lawsuits in which the City is involved. The City management estimates the potential claims against the City resulting from such litigation not covered by insurance would not materially affect the financial position of the City.

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE L – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all of these risks of loss except natural disasters. There were no decreases in coverage during 2003. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Expenses and claims not covered by insurance are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. Claims information for the past two years is as follows:

	2005	2004
Claims liability, July 1	\$ 22,107	\$ 71,322
Claims incurred during the year and changes in estimates	244,760	60,000
Payments on claims during the year		
Payments made by insurance	114,341	100,610
Coinsurance and deductible insurance payments made by the City	30,823	8,605
Claims liability, June 30,	<u>\$121,703</u>	<u>\$ 22,107</u>

NOTE M - INTERFUND RECEIVABLES AND PAYABLES

Individual fund receivables and payables at June 30, 2005, are as follows:

Due To Other Funds	Due From Other Funds	Amount
Major enterprise funds:		
Culinary Water Fund	General Fund	\$2,675,090
Sewer Fund	General Fund	560,005
Nonmajor enterprise funds	General Fund	403,945
General Fund	Nonmajor governmental funds	855,308
Nonmajor governmental funds	Culinary Water Fund	537,543
		<u>\$5,031,891</u>

The interfund receivables/payables are related to operating funds temporarily loaned from the general fund to various enterprise funds. Additionally, the general fund collected certain revenues on behalf of one of the nonmajor governmental funds but at June 30, 2005 had not yet remitted them to the nonmajor governmental fund.

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE N - INTERFUND TRANSFERS

A summary of interfund transfers by fund is as follows:

	<u>In</u>	<u>Out</u>
Major Funds:		
General Fund	\$ 747,745	\$ 504,906
Capital Projects Fund Streets	-	1,087,984
Culinary Water Fund	-	135,000
Sewer Fund	-	115,000
Pressurized Irrigation Fund	-	100,000
Electric Fund	-	200,000
Nonmajor governmental funds	2,823,658	1,651,613
Nonmajor enterprise funds	223,100	-
	<u>\$3,794,503</u>	<u>\$3,794,503</u>

NOTE O - DEFICIT NET ASSETS

The Garbage Fund (a nonmajor enterprise fund) continues to operate in a deficit situation. The Garbage Fund had a net asset deficit of \$338,128 at June 30, 2005.

NOTE P - EXPENDITURES EXCEEDING APPROPRIATIONS

During the year ended June 30, 2005, the City incurred expenditures in excess of appropriations in redevelopment expenditures (the legal level of budgetary control) of the Redevelopment Agency by \$2,445 and the debt service principal expenditures of the General Debt Service Fund by \$589,030. These over expenditures were funded by greater than anticipated transfers in the General Debt Service Fund and by use of fund balance in the Redevelopment Agency.

NOTE Q - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City has issued revenue bonds to finance certain improvements to its culinary water distribution system, its sewer system, its pressurized irrigation system, its electric power distribution system and its drainage system. Because each of these activities is accounted for in separate funds and all of those funds are reported as major funds in the fund financial statements, segment disclosures herein are not required.

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE R - REDEVELOPMENT AGENCY OF THE CITY OF LEHI

The Lehi City Redevelopment Agency was created in 1985 to increase and develop the commercial growth in the southeast area of the City, known as the Millpond Project Area. Redevelopment activity did not begin until 1996, when the first tax increment was generated.

In 1994, Micron Technologies, Inc., a computer chip manufacturer, approached the City for tax incentives to construct a manufacturing facility in Utah. This project, which became a component of the Redevelopment Agency of the City, is known as the Alpine Highway Project Area. Infrastructure improvements on and off site have been made over the last two years. In 1998, the tax increment related to this project was triggered and received by the Redevelopment Agency and was used for debt service.

For the year ended June 30, 2005, the following activity occurred in the City's Redevelopment Agency:

Tax increment collected from other taxing agencies for the project area	
Millpond Project Area	\$ 105,739
Alpine Highway Project Area	1,865,119
	<u>\$ 1,970,858</u>
Outstanding loans to finance RDA projects	<u>\$39,987,886</u>
Amounts expended for the acquisition of property	\$ -
Tax increments paid to other taxing agencies	161,791
Amounts expended for site improvements and preparation costs	-
Amounts expended for administrative costs	<u>222,654</u>
	<u>\$ 384,445</u>
Amounts expended for installation of public utilities and other public improvements	<u>\$ -</u>

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE S – LANDFILL CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expenditure in the General fund in each period based on landfill capacity used as of each balance sheet date. The landfill closure and postclosure care liability at June 30, 2005, and the expenditure recognized for the year then ended were calculated as follows based on the cumulative use of 66% of the estimated capacity of the landfill:

Total estimated closure and postclosure care costs	\$227,680
Capacity used as of June 30, 2005	69%
Cumulative closure and postclosure care liability	157,099
Amounts previously recognized	152,100
Amount to be recognized as of June 30, 2005	\$ 4,999
Amount recorded as an expenditure in the General Fund for the year ended June 30, 2005	\$ 2,277
Amount recorded as an accrued liability in the General Fund as of June 30, 2005	\$ 56,491
Amount reported as a long-term liability in the governmental activities statement of net assets	100,608
	<u>\$157,099</u>

The total estimated closure and postclosure care costs are based on estimates of what it would cost to perform all closure and postclosure care in 2005. The City expects the landfill to close in the year 2091 after reaching its total estimated capacity of 230,000 cubic yards. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City is required to establish financial assurance in accordance with the State of Utah Department of Environmental Quality, Division of Solid and Hazardous Waste Administrative Rules. The City must submit an annual report in which certain financial information is provided to the State indicating that the City meets the minimum financial requirements outlined in the aforementioned rules.

LEHI CITY CORPORATION

JUNE 30, 2005

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE T – RESTATEMENT FOR RETROACTIVE REPORTING OF GENERAL INFRASTRUCTURE ASSETS

When the City originally adopted the general provisions of GASB Statement No. 34, they elected to delay the retroactive reporting of general infrastructure assets. Effective July 1, 2004, the City implemented the retroactive reporting of general infrastructure assets as required by GASB Statement No. 34. As a result, beginning net assets of governmental activities were increased by \$90,854,828.

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COMBINING FINANCIAL STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Redevelopment Agency – This fund is used to account for tax increment revenues and expenses related to redevelopment projects in the City.

Lehi Community Foundation – This fund is used to account for private donations that are restricted for specified projects.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Capital Projects MBA Fund – This fund is used to account for the construction of various facilities including the City's recreation center and library.

Debt Service Funds

Debt service funds are used to account for long-term principal and interest obligations of the General and Special Revenue Funds.

General Debt Service Fund – This fund is used to account for the accumulation of funds restricted for debt service and for the payment of that debt service.

Redevelopment Agency Debt Service Fund – This fund is used to account for the accumulation of funds for debt service on debt issued to finance redevelopment projects.

LEHI CITY CORPORATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	GENERAL DEBT SERVICE	REDEVELOP- MENT AGENCY DEBT SERVICE	REDEVELOP- MENT AGENCY	CAPITAL PROJECTS MBA	LEHI COMMUNITY FOUNDATION	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS						
CASH AND INVESTMENTS	\$ 87,690	\$ -	\$ 490,527	\$ 31,494	\$ 91,169	\$ 700,880
TAXES RECEIVABLE	-	-	2,000,000	-	-	2,000,000
DUE FROM OTHER FUNDS	-	-	855,308	-	-	855,308
RESTRICTED CASH AND INVESTMENTS	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 87,690</u>	<u>\$ -</u>	<u>\$ 3,345,835</u>	<u>\$ 31,494</u>	<u>\$ 91,169</u>	<u>\$ 3,556,188</u>
LIABILITIES AND FUND BALANCE						
LIABILITIES						
DUE TO OTHER FUNDS	\$ -	\$ -	\$ 537,543	\$ -	\$ -	\$ 537,543
DEFERRED REVENUE	-	-	2,000,000	-	-	2,000,000
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>2,537,543</u>	<u>-</u>	<u>-</u>	<u>2,537,543</u>
FUND BALANCE						
RESERVED FOR CAPITAL IMPROVEMENTS	-	-	-	-	-	-
RESERVED FOR DEBT SERVICE	-	-	-	-	-	-
UNRESERVED	87,690	-	808,292	31,494	91,169	1,018,645
TOTAL FUND BALANCE	<u>87,690</u>	<u>-</u>	<u>808,292</u>	<u>31,494</u>	<u>91,169</u>	<u>1,018,645</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 87,690</u>	<u>\$ -</u>	<u>\$ 3,345,835</u>	<u>\$ 31,494</u>	<u>\$ 91,169</u>	<u>\$ 3,556,188</u>

LEHI CITY CORPORATION
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN
FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	GENERAL DEBT SERVICE	REDEVELOP- MENT AGENCY DEBT SERVICE	REDEVELOP- MENT AGENCY	CAPITAL PROJECTS MBA	LEHI COMMUNITY FOUNDATION	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES						
TAXES	\$ 930,200	\$ -	\$ 1,970,858	\$ -	\$ -	\$ 2,901,058
INTERGOVERNMENTAL REVENUE	590,000	-	-	-	-	590,000
MISCELLANEOUS REVENUE	-	-	-	-	900	900
OTHER	-	-	-	-	-	-
INTEREST ON INVESTMENTS	292	-	22,383	6	-	22,681
TOTAL REVENUES	<u>1,520,492</u>	<u>-</u>	<u>1,993,241</u>	<u>6</u>	<u>900</u>	<u>3,514,639</u>
EXPENDITURES						
CURRENT						
COMMUNITY DEVELOPMENT	-	-	384,445	-	-	384,445
OTHER	-	-	-	66	-	66
DEBT SERVICE						
PRINCIPAL	1,987,330	126,013	-	-	-	2,113,343
INTEREST AND FISCAL CHARGES	902,512	1,327,855	-	-	-	2,230,367
TOTAL EXPENDITURES	<u>2,889,842</u>	<u>1,453,868</u>	<u>384,445</u>	<u>66</u>	<u>-</u>	<u>4,728,221</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(1,369,350)</u>	<u>(1,453,868)</u>	<u>1,608,796</u>	<u>(60)</u>	<u>900</u>	<u>(1,213,582)</u>
OTHER FINANCING SOURCES (USES)						
ISSUANCE OF BONDS AND NOTES	-	-	148,285	-	-	148,285
TRANSFERS IN	1,369,790	1,453,868	-	-	-	2,823,658
TRANSFERS OUT	-	-	(1,651,613)	-	-	(1,651,613)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,369,790</u>	<u>1,453,868</u>	<u>(1,503,328)</u>	<u>-</u>	<u>-</u>	<u>1,320,330</u>
NET CHANGE IN FUND BALANCE	440	-	105,468	(60)	900	106,748
FUND BALANCE AT BEGINNING OF YEAR	<u>87,250</u>	<u>-</u>	<u>702,824</u>	<u>31,554</u>	<u>90,269</u>	<u>911,897</u>
FUND BALANCE AT END OF YEAR	<u>\$ 87,690</u>	<u>\$ -</u>	<u>\$ 808,292</u>	<u>\$ 31,494</u>	<u>\$ 91,169</u>	<u>\$ 1,018,645</u>

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**INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL**

**CAPITAL PROJECTS, SPECIAL REVENUE
AND DEBT SERVICE FUNDS**

LEHI CITY CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS STREETS FUND
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
SPECIAL ASSESSMENT REVENUE	\$ 537,000	\$ 537,000	\$ 1,086,362	\$ 549,362
MISCELLANEOUS REVENUE				
INTEREST ON INVESTMENTS	15,000	100,000	107,122	7,122
TOTAL REVENUES	<u>552,000</u>	<u>637,000</u>	<u>1,193,484</u>	<u>556,484</u>
EXPENDITURES				
CURRENT				
OTHER	102,500	302,500	87,550	214,950
CAPITAL OUTLAY	2,510,000	15,760,000	10,741,229	5,018,771
DEBT SERVICE				
PRINCIPAL	-	-	-	-
INTEREST AND FISCAL CHARGES	-	-	-	-
TOTAL EXPENDITURES	<u>2,612,500</u>	<u>16,062,500</u>	<u>10,828,779</u>	<u>5,233,721</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(2,060,500)</u>	<u>(15,425,500)</u>	<u>(9,635,295)</u>	<u>5,790,205</u>
OTHER FINANCING SOURCES (USES)				
TRANSFERS IN	-	-	-	-
TRANSFERS OUT	(537,000)	(537,000)	(1,087,984)	(550,984)
ISSUANCE OF BONDS	-	15,810,000	5,251,200	(10,558,800)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(537,000)</u>	<u>15,273,000</u>	<u>4,163,216</u>	<u>(11,109,784)</u>
NET CHANGE IN FUND BALANCE	<u>(2,597,500)</u>	<u>(152,500)</u>	<u>(5,472,079)</u>	<u>(5,319,579)</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>8,282,472</u>	<u>8,282,472</u>	<u>8,282,472</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 5,684,972</u>	<u>\$ 8,129,972</u>	<u>\$ 2,810,393</u>	<u>\$ (5,319,579)</u>

LEHI CITY CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS MBA FUND
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
MISCELLANEOUS REVENUE				
INTEREST ON INVESTMENTS	\$ -	\$ -	\$ 6	\$ 6
TOTAL REVENUES	-	-	6	6
EXPENDITURES				
CURRENT				
OTHER	-	-	66	(66)
CAPITAL OUTLAY	-	-	-	-
DEBT SERVICE				
PRINCIPAL	-	-	-	-
INTEREST AND FISCAL CHARGES	-	-	-	-
TOTAL EXPENDITURES	-	-	66	(66)
EXCESS OF REVENUES OVER EXPENDITURES	-	-	(60)	(60)
OTHER FINANCING SOURCES (USES)				
TRANSFERS IN	-	-	-	-
TRANSFERS OUT	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	(60)	(60)
FUND BALANCE AT BEGINNING OF YEAR	31,554	31,554	31,554	-
FUND BALANCE (DEFICIT) AT END OF YEAR	\$ 31,554	\$ 31,554	\$ 31,494	\$ (60)

LEHI CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
REDEVELOPMENT AGENCY
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
TAXES				
PROPERTY TAX REVENUE	\$ 2,050,000	\$ 1,870,000	\$ 1,970,858	\$ 100,858
MISCELLANEOUS REVENUE				
INTEREST ON INVESTMENTS	1,000	20,000	22,383	2,383
TOTAL REVENUES	2,051,000	1,890,000	1,993,241	103,241
EXPENDITURES				
REDEVELOPMENT				
PERSONNEL	172,000	191,000	207,000	(16,000)
GENERAL ADMINISTRATIVE	9,600	9,600	15,654	(6,054)
PROFESSIONAL SERVICES	20,000	18,400	-	18,400
CONTRIBUTION TO LOCAL GOVERNMENTS	186,400	163,000	161,791	1,209
TOTAL EXPENDITURES	388,000	382,000	384,445	(2,445)
EXCESS OF REVENUES OVER EXPENDITURES	1,663,000	1,508,000	1,608,796	105,686
OTHER FINANCING SOURCES (USES)				
ISSUANCE OF NOTES	148,300	148,300	148,285	(15)
TRANSFERS OUT	(1,811,300)	(1,656,300)	(1,651,613)	4,687
TOTAL OTHER FINANCING SOURCES (USES)	(1,663,000)	(1,508,000)	(1,503,328)	4,672
NET CHANGE IN FUND BALANCE	-	-	105,468	110,358
FUND BALANCE AT BEGINNING OF YEAR	702,824	702,824	702,824	-
FUND BALANCE AT END OF YEAR	\$ 702,824	\$ 702,824	\$ 808,292	\$ 110,358

LEHI CITY CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
TAXES	\$ -	\$ 930,200	\$ 930,200	\$ -
INTERGOVERNMENTAL REVENUES	590,000	590,000	590,000	-
MISCELLANEOUS REVENUE				
INTEREST ON INVESTMENTS	-	-	292	292
TOTAL REVENUES	590,000	1,520,200	1,520,492	292
EXPENDITURES				
DEBT SERVICE				
PRINCIPAL	938,300	1,398,300	1,987,330	(589,030)
INTEREST AND FISCAL CHARGES	470,500	940,700	902,512	38,188
TOTAL EXPENDITURES	1,408,800	2,339,000	2,889,842	(550,842)
EXCESS OF REVENUES OVER EXPENDITURES	(818,800)	(818,800)	(1,369,350)	(550,550)
OTHER FINANCING SOURCES (USES)				
TRANSFERS IN	818,800	818,800	1,369,790	550,990
TRANSFERS OUT				
TOTAL OTHER FINANCING SOURCES (USES)	818,800	818,800	1,369,790	550,990
NET CHANGE IN FUND BALANCE	-	-	440	440
FUND BALANCE AT BEGINNING OF YEAR	87,250	87,250	87,250	-
FUND BALANCE AT END OF YEAR	\$ 87,250	\$ 87,250	\$ 87,690	\$ 440

LEHI CITY CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
REDEVELOPMENT AGENCY DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
MISCELLANEOUS REVENUE				
INTEREST ON INVESTMENTS	\$ -	\$ 100	\$ -	\$ (100)
TOTAL REVENUES	-	100	-	(100)
EXPENDITURES				
DEBT SERVICE				
PRINCIPAL	130,000	130,000	126,013	3,987
INTEREST AND FISCAL CHARGES	1,453,300	1,453,300	1,327,855	125,445
TOTAL EXPENDITURES	1,583,300	1,583,300	1,453,868	129,432
EXCESS OF REVENUES OVER EXPENDITURES	(1,583,300)	(1,583,200)	(1,453,868)	129,332
OTHER FINANCING SOURCES (USES)				
TRANSFERS IN	1,583,300	1,583,200	1,453,868	(129,332)
TRANSFERS OUT	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1,583,300	1,583,200	1,453,868	(129,332)
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE AT BEGINNING OF YEAR	-	-	-	-
FUND BALANCE AT END OF YEAR	\$ -	\$ -	\$ -	\$ -

SUPPLEMENTARY INDIVIDUAL FUND SCHEDULE

General Fund

This supplementary schedule is included to provide management with additional information for financial analysis.

LEHI CITY CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

FOR THE YEAR ENDED JUNE 30, 2005				VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
REVENUES				
TAXES				
PROPERTY TAXES	\$ 2,360,000	\$ 2,515,000	\$ 2,587,021	\$ 72,021
IN LIEU OF	384,000	384,000	333,893	(50,107)
GENERAL SALES TAX	2,325,000	1,570,000	1,758,008	188,008
FRANCHISE TAX	1,415,000	1,580,000	1,864,640	284,640
TOTALS	6,484,000	6,049,000	6,543,562	494,562
LICENSES, FEES AND PERMITS				
BUSINESS AND ANIMAL LICENSES	37,500	45,000	48,650	3,650
BUILDING PERMITS	850,000	1,300,000	1,582,722	282,722
IMPACT FEES	1,400,000	2,400,000	2,651,841	251,841
TOTALS	2,287,500	3,745,000	4,283,213	538,213
INTERGOVERNMENTAL REVENUE				
CLASS "C" ROAD FUNDS	450,000	450,000	201,544	(248,456)
STATE LIQUOR FUNDS ALLOTMENT	13,500	19,000	18,249	(751)
STATE PARK GRANT	50,000	50,000	172,350	122,350
COUNTY FIRE ALLOCATION	30,000	40,000	38,996	(1,004)
OTHER GRANTS	378,000	223,000	40,892	(182,108)
TOTALS	921,500	782,000	472,031	(309,969)
CHARGES FOR SERVICE				
PLANNING/INSPECTION FEES	791,000	1,118,000	1,120,081	2,081
CEMETERY FEES	75,000	75,000	77,836	2,836
RECREATION FEES	1,040,000	1,046,000	1,485,158	439,158
OTHER SERVICE REVENUE	20,000	20,000	19,475	(525)
TOTALS	1,926,000	2,259,000	2,702,550	443,550
FINES AND FORFEITURES				
COURTS FINES AND FORFEITURES	951,000	1,102,000	1,300,040	198,040
MISCELLANEOUS REVENUE				
INTEREST ON INVESTMENTS	100,000	150,000	158,176	8,176
SALE OF FIXED ASSETS	10,000	144,000	146,707	2,707
MISCELLANEOUS	597,500	490,000	400,159	(89,841)
TOTALS	707,500	784,000	705,042	(78,958)
TOTAL REVENUES	13,277,500	14,721,000	16,006,438	1,285,438
EXPENDITURES				
GENERAL GOVERNMENT				
COURT				
PERSONNEL	240,000	270,000	270,037	(37)
OPERATIONS AND MAINTENANCE	308,300	413,800	481,227	(67,427)
CAPITAL	12,500	42,000	45,238	(3,238)
TOTAL	560,800	725,800	796,502	(70,702)
ADMINISTRATIVE				
PERSONNEL	333,500	376,000	355,441	20,559
OPERATIONS AND MAINTENANCE	237,000	269,500	284,441	(14,941)
CAPITAL	3,500	30,000	20,297	9,703
TOTAL	574,000	675,500	660,179	15,321
TREASURY				
PERSONNEL	231,000	250,000	252,439	(2,439)
OPERATIONS AND MAINTENANCE	56,300	87,300	87,252	48
CAPITAL	4,000	6,000	6,038	(38)
TOTAL	291,300	343,300	345,729	(2,429)

CONTINUED

LEHI CITY CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - CONTINUED
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
FINANCE				
PERSONNEL	193,000	167,000	161,531	5,469
OPERATIONS AND MAINTENANCE	81,700	88,700	69,443	19,257
CAPITAL	3,500	7,500	7,622	(122)
TOTAL	278,200	263,200	238,596	24,604
LEGISLATIVE				
PERSONNEL	95,000	102,000	93,095	8,905
OPERATIONS AND MAINTENANCE	38,000	40,500	28,248	12,252
CAPITAL	-	-	-	-
TOTAL	133,000	142,500	121,343	21,157
FACILITIES MAINTENANCE				
PERSONNEL	138,000	126,500	120,929	5,571
OPERATIONS AND MAINTENANCE	46,600	83,700	54,589	29,111
CAPITAL	47,150	14,000	13,504	496
TOTAL	231,750	224,200	189,022	35,178
TOTAL GENERAL GOVERNMENT	2,069,050	2,374,500	2,351,371	23,129
PUBLIC SAFETY				
POLICE				
PERSONNEL	1,707,000	2,713,000	2,703,531	9,469
OPERATIONS AND MAINTENANCE	1,140,500	497,000	487,583	9,417
CAPITAL	185,500	261,800	324,033	(62,233)
TOTAL	3,033,000	3,471,800	3,515,147	(43,347)
FIRE				
PERSONNEL	208,000	290,000	274,188	15,812
OPERATIONS AND MAINTENANCE	97,300	116,400	99,982	16,418
CAPITAL	53,600	38,000	38,332	(332)
TOTAL	358,900	444,400	412,502	31,898
ANIMAL CONTROL				
PERSONNEL	-	-	-	-
OPERATIONS AND MAINTENANCE	60,200	63,500	54,988	8,512
CAPITAL	-	-	-	-
TOTAL	60,200	63,500	54,988	8,512
TOTAL PUBLIC SAFETY	3,452,100	3,979,700	3,982,637	(2,937)
COMMUNITY DEVELOPMENT				
PUBLIC WORKS ADMINISTRATION				
PERSONNEL	393,000	390,000	377,147	12,853
OPERATIONS AND MAINTENANCE	25,000	36,500	31,359	5,141
CAPITAL	76,400	64,400	63,694	706
TOTAL	494,400	490,900	472,200	18,700
PLANNING AND ZONING				
PERSONNEL	365,000	367,000	361,391	5,609
OPERATIONS AND MAINTENANCE	88,100	129,600	119,060	10,540
CAPITAL	32,500	19,000	19,164	(164)
TOTAL	485,600	515,600	499,615	15,985
INSPECTIONS				
PERSONNEL	564,000	563,500	539,950	23,550
OPERATIONS AND MAINTENANCE	203,400	247,900	238,545	9,355
CAPITAL	23,500	30,000	28,702	1,298
TOTAL	790,900	841,400	807,197	34,203
TOTAL COMMUNITY DEVELOPMENT	1,770,900	1,847,900	1,779,012	68,888

CONTINUED

LEHI CITY CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - CONTINUED
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
STREETS AND HIGHWAYS				
STREETS AND PUBLIC IMPROVEMENTS				
PERSONNEL	637,000	655,000	539,513	115,487
OPERATIONS AND MAINTENANCE	468,000	501,000	679,077	(178,077)
CAPITAL	1,051,000	1,066,000	1,299,695	(233,695)
TOTAL	2,156,000	2,222,000	2,518,285	(296,285)
PARKS, RECREATION AND CULTURE				
PARKS				
PERSONNEL	337,000	405,000	395,057	9,943
OPERATIONS AND MAINTENANCE	202,200	116,200	116,616	(416)
CAPITAL	434,000	755,000	1,310,925	(555,925)
TOTAL	973,200	1,276,200	1,822,598	(546,398)
COMMUNITY ARTS AND EVENTS				
PERSONNEL	-	-	-	-
OPERATIONS AND MAINTENANCE	106,250	234,250	253,262	(19,012)
CAPITAL	-	-	-	-
TOTAL	106,250	234,250	253,262	(19,012)
SENIOR CITIZENS				
PERSONNEL	82,000	93,000	89,380	3,620
OPERATIONS AND MAINTENANCE	48,000	45,500	38,435	7,065
CAPITAL	4,000	6,500	5,898	602
TOTAL	134,000	145,000	133,713	11,287
RECREATION				
PERSONNEL	611,000	881,000	847,511	33,489
OPERATIONS AND MAINTENANCE	1,460,200	685,400	636,017	49,383
CAPITAL	3,423,545	118,000	158,185	(40,185)
TOTAL	5,494,745	1,684,400	1,641,713	42,687
LIBRARY				
PERSONNEL	417,000	444,000	422,109	21,891
OPERATIONS AND MAINTENANCE	170,000	249,900	258,151	(8,251)
CAPITAL	37,900	31,000	31,360	(360)
TOTAL	624,900	724,900	711,620	13,280
TOTAL PARKS, RECREATION AND CULTURE	7,333,095	4,064,750	4,562,906	(498,156)
CEMETERY				
PERSONNEL	206,000	212,000	202,956	9,044
OPERATIONS AND MAINTENANCE	54,700	64,000	62,259	1,741
CAPITAL	61,500	67,000	64,389	2,611
TOTAL	322,200	343,000	329,604	13,396
TOTAL EXPENDITURES	17,103,345	14,831,850	15,523,815	(691,965)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,825,845)	(110,850)	482,623	593,473
OTHER FINANCING SOURCES (USES)				
TRANSFERS IN	550,000	550,000	747,745	197,745
TRANSFERS OUT	(425,500)	(504,900)	(504,906)	(6)
TRANSFER TO COMPONENT UNIT	(30,000)	(100,000)	(100,000)	-
TOTAL OTHER FINANCING SOURCES	94,500	(54,900)	142,839	197,739
NET CHANGE IN FUND BALANCE	(3,731,345)	(165,750)	625,462	791,212
FUND BALANCE AT BEGINNING OF YEAR	5,422,207	5,422,207	5,422,207	-
FUND BALANCE AT END OF YEAR	\$ 1,690,862	\$ 5,256,457	\$ 6,047,669	\$ 791,212

COMBINING FINANCIAL STATEMENTS

NONMAJOR PROPRIETARY FUNDS

ENTERPRISE FUNDS

Swimming Pool – To account for operating and capital activities of the recreational service.

Garbage– To account for the provisions of the garbage services to the residents of the City. These funds account for all activities necessary to provide such services including, but not limited to, administration, operations maintenance and billing, and collections.

Ambulance – To account for the financial activities of the health services of the City.

LEHI CITY CORPORATION
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES			
	SWIMMING POOL	GARBAGE	AMBULANCE	TOTALS
ASSETS				
CURRENT ASSETS				
CASH AND CASH EQUIVALENTS	\$ -	\$ -	\$ -	\$ -
ACCOUNTS RECEIVABLE (NET)	15	151,865	11,308	163,188
TOTAL CURRENT ASSETS	<u>15</u>	<u>151,865</u>	<u>11,308</u>	<u>163,188</u>
NON-CURRENT ASSETS				
RESTRICTED CASH AND CASH EQUIVALENTS	-	-	-	-
NON-DEPRECIABLE CAPITAL ASSETS	10,000	-	-	10,000
DEPRECIABLE CAPITAL ASSETS, NET	485,048	-	201,936	686,984
TOTAL NON-CURRENT ASSETS	<u>495,048</u>	<u>-</u>	<u>201,936</u>	<u>696,984</u>
TOTAL ASSETS	<u>\$ 495,063</u>	<u>\$ 151,865</u>	<u>\$ 213,244</u>	<u>\$ 860,172</u>
LIABILITIES AND NET ASSETS (DEFICIT)				
CURRENT LIABILITIES				
DUE TO OTHER FUNDS	\$ 4,341	\$ 372,269	\$ 27,335	\$ 403,945
ACCOUNTS PAYABLE	-	117,724	4,046	121,770
WAGES PAYABLE	16,386	-	1,699	18,085
CURRENT PORTION COMPENSATED ABSENCES	-	-	7,827	7,827
CURRENT MATURITIES OF LONG-TERM OBLIGATIONS	-	-	41,174	41,174
TOTAL CURRENT LIABILITIES	<u>20,727</u>	<u>489,993</u>	<u>82,081</u>	<u>592,801</u>
NON-CURRENT LIABILITIES				
COMPENSATED ABSENCES	-	-	2,609	2,609
CAPITAL LEASES PAYABLE, LESS CURRENT MATURITIES	-	-	41,985	41,985
TOTAL NON-CURRENT LIABILITIES	<u>-</u>	<u>-</u>	<u>44,594</u>	<u>44,594</u>
TOTAL LIABILITIES	<u>20,727</u>	<u>489,993</u>	<u>126,675</u>	<u>637,395</u>
NET ASSETS				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	495,048	-	159,951	654,999
UNRESERVED	(20,712)	(338,128)	(73,382)	(432,222)
TOTAL NET ASSETS	<u>474,336</u>	<u>(338,128)</u>	<u>86,569</u>	<u>222,777</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 495,063</u>	<u>\$ 151,865</u>	<u>\$ 213,244</u>	<u>\$ 860,172</u>

LEHI CITY CORPORATION
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES			
	SWIMMING POOL	GARBAGE	AMBULANCE	TOTALS
OPERATING REVENUES				
CHARGES FOR SERVICES	\$ -	\$ 1,200,183	\$ 254,131	\$ 1,454,314
ADMISSION AND LESSON FEES	64,963	-	-	64,963
CONCESSION AND RENTAL REVENUES	17,022	-	-	17,022
MISCELLANEOUS REVENUES	-	-	-	-
TOTAL OPERATING REVENUES	81,985	1,200,183	254,131	1,536,299
OPERATING EXPENSES				
PERSONNEL	110,676	-	251,690	362,366
GENERAL ADMINISTRATION	2,284	15,271	5,382	22,937
OPERATING AND MAINTENANCE	73,390	1,241,785	67,422	1,382,597
DEPRECIATION	49,005	-	53,511	102,516
TOTAL OPERATING EXPENSES	235,355	1,257,056	378,005	1,870,416
OPERATING INCOME (LOSS)	(153,370)	(56,873)	(123,874)	(334,117)
NON-OPERATING REVENUES (EXPENSES)				
INTERGOVERNMENTAL REVENUE	-	-	11,308	11,308
GAIN (LOSS) ON SALE OF CAPITAL ASSETS	-	-	-	-
INTEREST EXPENSE	-	-	(3,403)	(3,403)
TOTAL NON-OPERATING REVENUES (EXPENSES)	-	-	7,905	7,905
INCOME (LOSS) BEFORE TRANSFERS	(153,370)	(56,873)	(115,969)	(326,212)
TRANSFERS IN	76,100	-	147,000	223,100
TRANSFERS OUT	-	-	-	-
TOTAL TRANSFERS IN (OUT)	76,100	-	147,000	223,100
CHANGE IN NET ASSETS	(77,270)	(56,873)	31,031	(103,112)
NET ASSETS AT BEGINNING OF YEAR	551,606	(281,255)	55,538	325,889
NET ASSETS AT END OF YEAR	\$ 474,336	\$ (338,128)	\$ 86,569	\$ 222,777

LEHI CITY CORPORATION
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	BUSINESS-TYPE ACTIVITIES			
	SWIMMING POOL	GARBAGE	AMBULANCE	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES				
CASH RECEIVED FROM CUSTOMERS	\$ 81,984	\$ 1,184,301	\$ 242,823	\$ 1,509,108
CASH PAID TO SUPPLIERS	(86,085)	(1,242,120)	(73,306)	(1,401,511)
CASH PAID TO EMPLOYEES	(105,935)	-	(254,863)	(360,798)
RECEIPTS (PAYMENTS) FROM OTHER FUNDS	4,341	57,819	16,926	79,086
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(105,695)	-	(68,420)	(174,115)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
INTERGOVERNMENTAL REVENUE	-	-	11,308	11,308
TRANSFERS IN	76,100	-	147,000	223,100
TRANSFERS OUT	-	-	-	-
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	76,100	-	158,308	234,408
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	-	-	(41,939)	(41,939)
PAYMENTS MADE ON CAPITAL LEASES	-	-	(44,546)	(44,546)
INTEREST PAID ON CAPITAL LEASES	-	-	(3,403)	(3,403)
PROCEEDS FROM SALE OF CAPITAL ASSETS	-	-	-	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	(89,888)	(89,888)
CASH FLOWS FROM INVESTING ACTIVITIES				
INTEREST INCOME COLLECTED	-	-	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(29,595)	-	-	(29,595)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	29,595	-	-	29,595
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSISTS OF:				
UNRESTRICTED CASH	\$ -	\$ -	\$ -	\$ -
RESTRICTED CASH	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
CAPITAL ASSETS ACQUIRED UNDER CAPITAL LEASE	\$ -	\$ -	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
OPERATING INCOME (LOSS)	\$ (153,370)	\$ (56,873)	\$ (123,874)	\$ (334,117)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
DEPRECIATION	49,005	-	53,511	102,516
CHANGES IN ASSETS AND LIABILITIES				
ACCOUNTS RECEIVABLE	-	(15,882)	(11,308)	(27,190)
ACCOUNTS PAYABLE	(5,671)	14,936	(5,269)	3,996
ACCRUED LIABILITIES	-	-	1,594	1,594
DUE TO OTHER FUNDS	4,341	57,819	16,926	79,086
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (105,695)</u>	<u>\$ -</u>	<u>\$ (68,420)</u>	<u>\$ (174,115)</u>

STATISTICAL SECTION

Table 1

Lehi City Corporation
General Governmental Expenditures and Other Uses by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety and Comm. Devel.	Highway and Streets	Parks Culture & Recreation	Cemetery	Other and Transfers	Total
1996	\$ 711,469	\$ 4,793,264	\$1,108,440	\$ 607,596	\$ 141,744	\$ 319,489	\$ 7,682,002
1997	843,749	3,164,946	822,363	726,287	201,887	283,407	6,042,639
1998	926,842	4,071,773	1,463,348	755,997	206,677	170,504	7,595,141
1999	970,887	2,914,889	1,396,318	1,001,345	206,472	217,007	6,706,918
2000	1,053,376	3,276,211	1,219,410	1,521,098	222,468	239,158	7,531,721
2001	1,349,131	3,947,933	2,413,394	2,104,281	192,169	1,114,703	11,121,611
2002	1,619,504	4,071,414	1,687,978	2,880,260	367,759	802,049	11,428,964
2003	2,197,016	5,002,216	2,153,217	2,774,849	284,773	2,238,019	14,650,090
2004	2,157,039	5,176,646	1,964,867	3,432,867	267,909	12,486,710	25,486,038
2005	2,351,371	5,761,649	2,518,285	4,562,906	329,604	604,906	16,128,721

(1) Includes the General Fund only

Chart 1
Total General Governmental Expenditures and Other Uses
Last Ten Fiscal Years

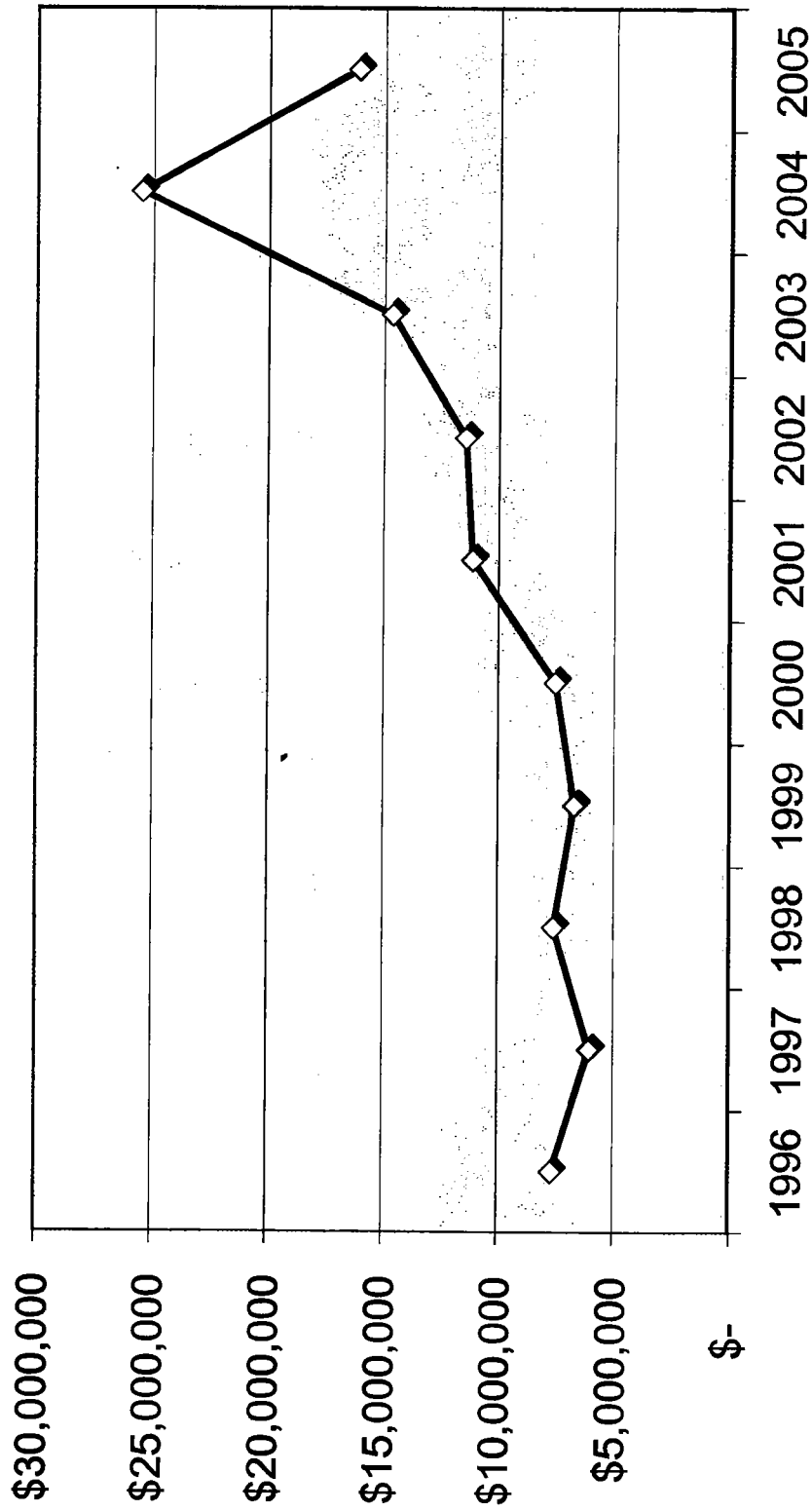


Table 2

Lehi City Cororation
General Governmental Revenues and Other Financing Sources (1)
Last Ten Fiscal Years

Fiscal Year	Taxes	Licenses Fees & Permits	Inter-Government	Charges for Services	Fines and Forfeitures	Interest and Misc.	Contributions and Transfers	Proceeds from	
								Bond Issuance and	Total
								Capital Lease	
1996	\$ 1,818,279	\$ 405,077	\$ 360,597	\$ 4,063,088	\$ 223,174	\$ 231,223	\$ 157,246	\$ -	\$ 7,258,684
1997	2,815,627	219,175	460,893	1,887,121	212,061	525,249	172,950	-	6,293,076
1998	2,712,582	483,708	834,102	2,779,279	248,807	837,940	-	199,608	8,096,026
1999	3,097,555	1,806,436	857,308	1,363,471	255,404	629,309	684,236	2,567,406	11,261,125
2000	3,413,584	1,597,241	813,085	781,331	324,639	519,165	472,206	484,432	8,405,683
2001	5,689,134	1,630,571	590,779	1,599,166	559,311	519,244	543,114	74,779	11,206,098
2002	5,484,095	1,813,277	675,339	1,578,816	623,722	269,057	1,320,651	384,688	12,149,645
2003	6,463,976	2,240,770	878,869	1,510,792	770,293	388,181	468,785	271,709	12,993,375
2004	6,348,859	3,340,344	825,552	1,967,509	976,371	1,115,307	1,000,500	12,245,000	27,819,442
2005	6,543,562	4,283,213	472,031	2,702,550	1,300,040	705,042	747,745	-	16,754,183

(1) Includes General Fund only.

Chart 2
General Governmental Revenues and Other Financing Sources
Last Ten Fiscal Years

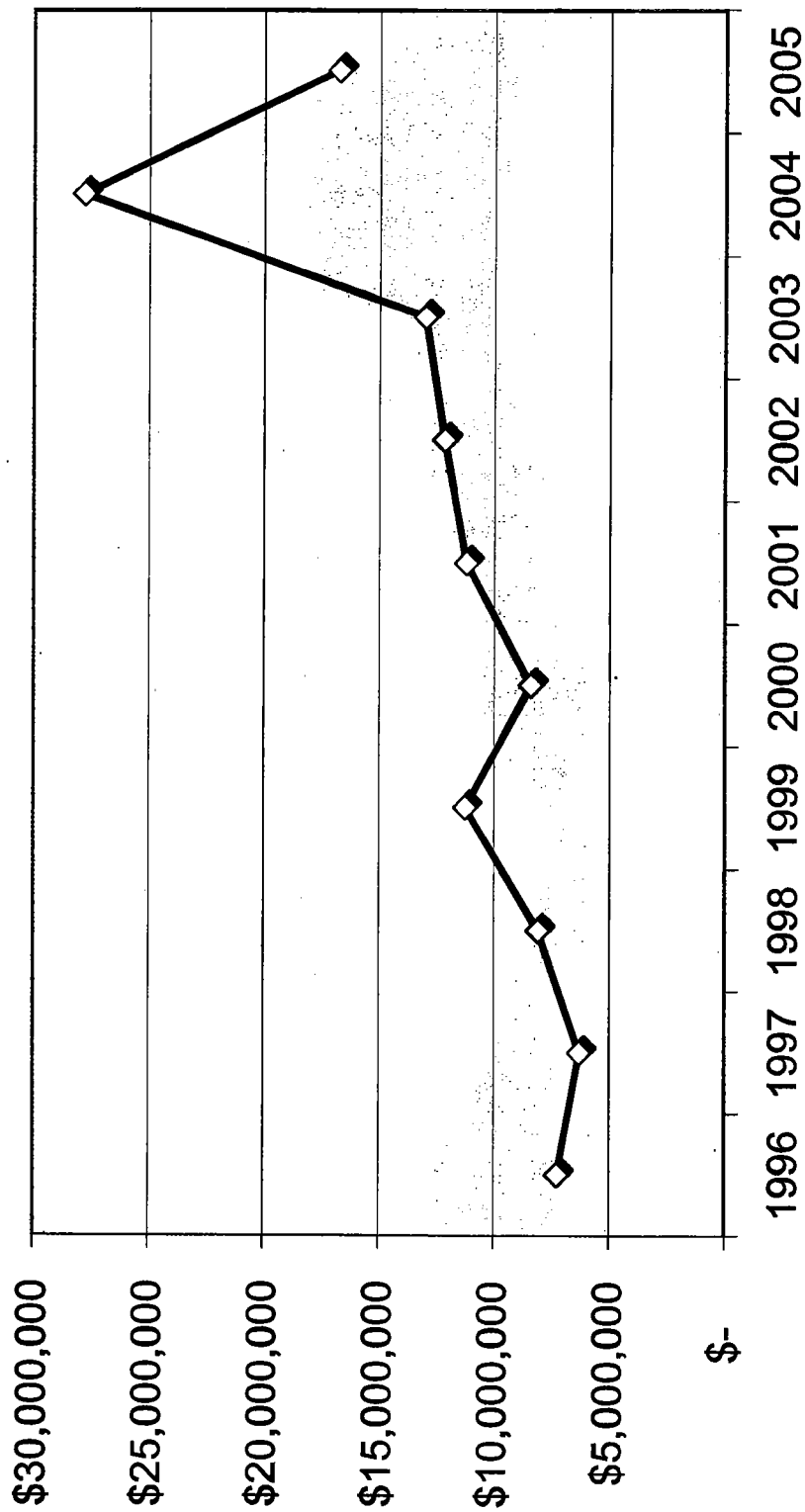


Table 3

**Lehi City Corporation
Tax Revenues by Source (1)
Last Ten Fiscal Years**

Fiscal Year	General Property Tax	General Use and Sales Tax	Franchise Tax	Fees in Lieu of Personal Property Tax	Total
1996	\$ 505,926	\$ 1,001,525	\$ 157,710	\$ 153,118	\$ 1,818,279
1997	1,295,766	1,199,409	161,118	159,334	2,815,627
1998	700,036	1,342,511	481,367	188,668	2,712,582
1999	771,483	1,603,597	521,700	200,775	3,097,555
2000	857,453	1,786,233	572,173	197,725	3,413,584
2001	2,050,143	2,446,381	852,345	340,265	5,689,134
2002	1,470,180	2,266,702	1,346,252	400,961	5,484,095
2003	2,464,529	2,212,632	1,451,033	335,782	6,463,976
2004	2,043,534	2,356,721	1,608,100	340,504	6,348,859
2005	2,587,021	1,758,008	1,864,640	333,893	6,543,562

(1) Includes General Fund only.

Chart 3
Tax Revenues by Source
 Last Ten Fiscal Years

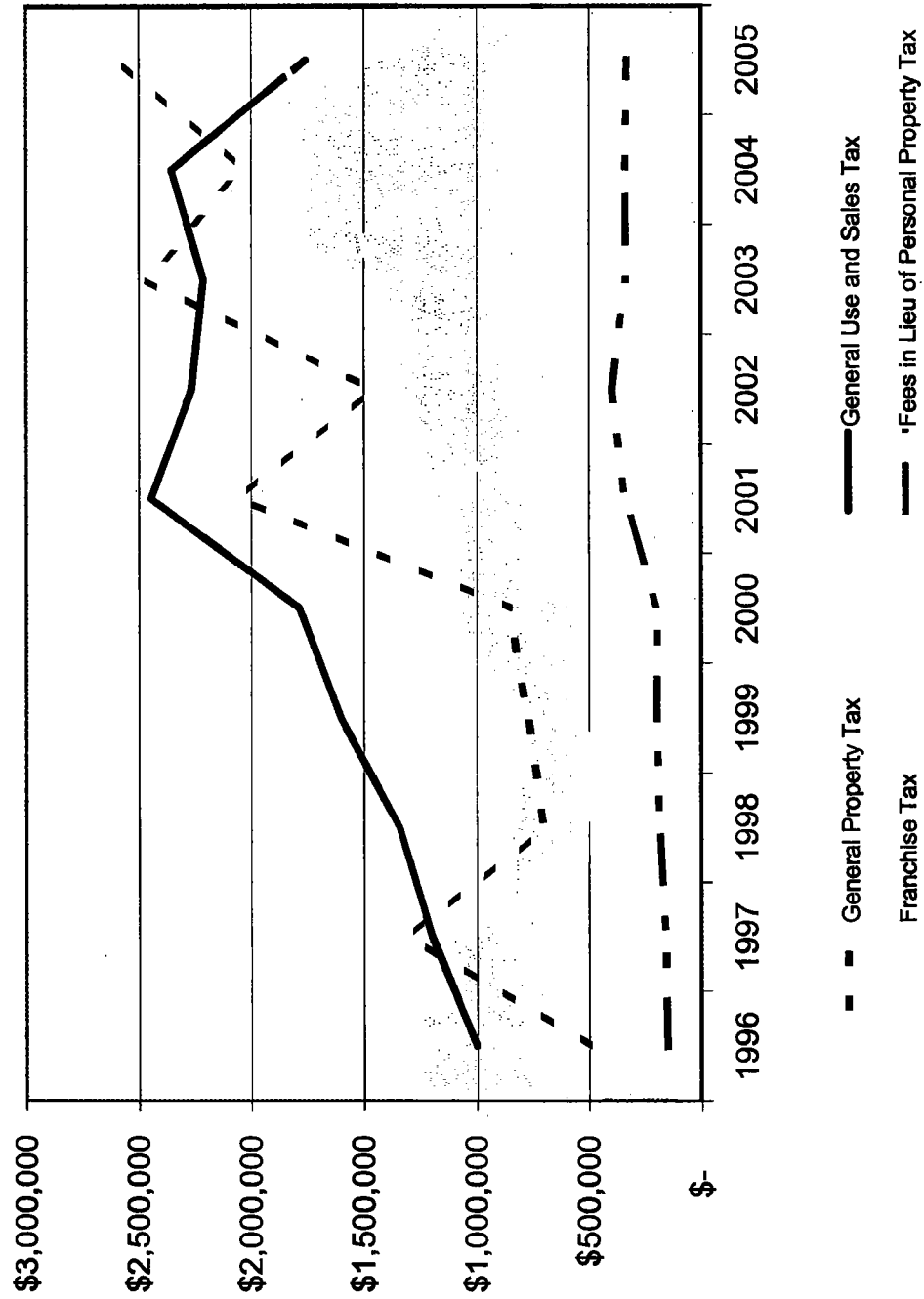


Table 4

**Lehi City Corporation
Property Tax Levies and Collections (1)
Last Ten Fiscal Years**

Fiscal Year (2)	Total Tax Levy	Current Tax Collection	Percent of Current Tax Collected	Delinquent Tax Collections	Total Tax Collection	Ratio of Total Tax Collections to Total Tax Levy
1996	\$ 470,249	\$ 442,633	94.1%	\$ 21,328	\$ 463,961	98.7%
1997	1,313,567	1,262,552	96.1%	21,629	1,284,181	97.8%
1998	849,947	645,729	76.0%	44,213	689,942	81.2%
1999	753,918	692,346	91.8%	38,561	730,907	96.9%
2000	868,199	801,296	92.3%	41,173	842,469	97.0%
2001	1,396,464	1,366,918	97.9%	62,629	1,429,547	102.4%
2002	1,738,916	1,576,441	90.7%	97,042	1,673,483	96.2%
2003	2,045,359	1,931,736	94.4%	152,568	2,084,304	101.9%
2004	2,167,286	2,137,696	98.6%	143,511	2,281,207	105.3%
2005	2,350,221	2,482,760	105.6%	(32,450)	2,450,310	104.3%

(1) Includes General Fund only.

(2) Taxes are collected and reported by the County for the calendar year rather than July 1 to June 30 fiscal year.

Table 5

**Lehi City Corporation
Assessed and Estimated Actual
Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year (2)	Taxable Value (1)			Total	Ratio of Assessed Value to Total Estimated Actual Value
	Real Property	Personal Property (3)	Assessed Value	Estimated Actual Value	
1996	\$ 233,837,683	\$ 13,162,049	\$ 246,999,732	\$ 403,704,552	61.2%
1997	646,213,914	40,697,650	686,911,564	868,934,537	79.1%
1998	413,301,870	43,861,401	457,163,271	612,965,224	74.6%
1999	393,074,962	40,716,942	433,791,904	707,651,390	61.3%
2000	419,241,616	47,281,026	466,522,642	723,256,003	64.5%
2001	513,373,413	48,357,888	561,731,301	733,714,100	76.6%
2002	681,393,303	35,036,732	716,430,035	1,191,215,705	60.1%
2003	834,159,420	291,471,697	1,125,631,117	1,557,999,509	72.2%
2004	852,926,407	166,657,163	1,019,583,570	1,675,255,691	60.9%
2005	1,012,159,310	142,807,609	1,154,966,919	1,678,423,396	68.8%

(1) Values were obtained from the Utah County Auditor and do not include properties which are taxed separately under tax increment programs. The decrease in 1998 occurred because the value of certain properties was diverted to tax increment programs.

The dramatic increase in personal property in 2003 was due to a reassessment of personal property at the Micron Technology facility. The decrease in assessed and personal property values in 2004 was due to a reassessment of several large properties in Lehi.

(2) Numbers based on calendar year not fiscal year.

(3) Personal Property has been combined with centrally assessed values.

Table 6

Lehi City Corporation
Ratio of Annual Debt Service Expenditures for General Obligation Debt
to Total General Governmental Expenditures and Other Uses
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures and Other Uses	Ratio of Debt Service to General Governmental Expenditures
1996	\$ 128,217	\$ 31,038	\$ 159,255	\$ 7,682,002	2.1%
1997	156,263	22,678	178,941	6,042,639	3.0%
1998	-	-	-	7,595,141	-
1999	-	-	-	6,706,918	-
2000	-	-	-	7,531,721	-
2001	-	-	-	11,121,611	-
2002	-	-	-	11,428,964	-
2003	-	-	-	14,650,090	-
2004	-	-	-	25,486,038	-
2005	-	-	-	16,128,721	-

Table 7

**Lehi City Corporation
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years**

Fiscal Year	Lehi City			Alpine School District	Utah County	Central Utah Water Conservancy District		Northern Utah County Water Conservancy District		Lehi Metropolitan Water District		Other	Total
	General Fund	Debt Service Fund	Total			District	District	District	District	District	District		
1996	1,897	-	1,897	6,492	1,605	0,349	0,040	0,027	0,459	10,869			
1997	1,897	-	1,897	5,457	1,545	0,342	0,039	0,009	0,440	9,729			
1998	1,918	-	1,918	6,410	1,266	0,397	0,043	0,014	0,416	10,464			
1999	1,861	-	1,861	6,962	1,197	0,396	0,040	0,014	0,414	10,884			
2000	2,486	-	2,486	6,884	1,116	0,377	0,040	0,014	0,390	11,307			
2001	2,552	-	2,552	6,769	1,038	0,369	0,037	0,013	0,366	11,144			
2002	2,452	-	2,452	6,953	1,034	0,358	0,036	0,013	0,348	11,194			
2003	2,541	-	2,541	7,884	1,053	0,358	0,036	0,013	0,358	12,243			
2004	2,462	-	2,462	8,119	1,065	0,353	0,035	0,010	0,360	12,404			
2005	2,663	-	2,663	8,082	1,040	0,400	0,033	0,011	0,351	12,580			

*Tax rates are set by Utah County on a calendar year basis rather than a July 1 to June 30 fiscal year.

**Rates are stated per \$1000 of assessed value.

Table 8

Lehi City Corporation
Computation of Direct and Overlapping Bonded Debt
General Obligation Bonds
June 30, 2005

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to the Citizens of Lehi City	Amount Applicable to the Citizens of Lehi City
Direct:			
Lehi City	\$ -	100.0%	\$ -
Overlapping:			
State of Utah	1,377,390,000	0.90%	12,396,510
Utah County	17,440,000	7.00%	1,220,800
Alpine School District	292,830,000	12.70%	37,189,410
Central Utah Water Conservancy District	318,325,950	1.60%	5,093,215
Total:	<u>\$ 2,005,985,950</u>		<u>\$ 43,503,425</u>

Table 9

**Lehi City Corporation
Property Value, Construction and Bank Deposits
Last Ten Fiscal Years**

Fiscal Year (2)	Real Property Taxable Value	Commercial Construction (1)		Residential Construction (1)		Miscellaneous Construction (1)		Bank Deposits (3)
		Number of Permits	Value	Number of Permits	Value	Number of Permits	Value	
1996	\$ 233,837,683	28	\$ 8,491,107	135	\$ 9,235,533	156	\$ 2,455,565	
1997	646,213,914	21	24,800,095	113	9,016,386	112	2,402,620	
1998	413,301,870	6	1,227,569	103	6,197,512	19	309,558	
1999	393,074,962	18	10,379,822	548	44,978,808	175	4,594,032	
2000	419,241,616	62	17,434,800	442	41,364,730	86	426,138	
2001	513,373,413	50	6,280,498	437	52,049,954	125	2,436,800	
2002	681,393,303	53	24,160,758	637	76,101,206	92	1,495,089	
2003 (4)	834,159,420	16	7,074,220	307	48,704,755	52	1,483,021	
2004	852,926,407	47	9,179,746	817	142,781,078	139	8,989,271	
2005	1,012,159,310	29	36,375,189	1188	262,221,307	176	3,209,168	

(1) Source: Building Inspection Department of Lehi City.

(2) Numbers based on calendar year not fiscal year.

(3) Deposit figures available on a state-wide basis only.

(4) 2003 numbers based on January 1 to June 30.

Table 10

**Lehi City Corporation
Principal Taxpayers (1)
June 30, 2005**

Taxpayer	Type of Business	2005 Assessed Valuation	Percentage of Total Assessed Valuation
Micron Technology, Inc.	Computer Chip Manufacturer	\$ 114,694,100	9.93%
Thanksgiving Point L.C.	Commercial	31,743,892	2.75%
Qwest Corp	Communications	8,349,665	0.72%
Albertsons Inc.	Grocery	5,363,600	0.46%
Thai Properties, LLC	Real Estate	7,409,427	0.64%
Mayflower Harbor Apartments	Rental	5,192,199	0.45%
Open Court	Recreation	4,353,270	0.38%
Cabelas Retail	Retailer	4,000,000	0.35%
Oldcastle	Manufacturing	3,235,215	0.28%
Questar Gas	Utility	4,289,522	0.37%
		<u>\$ 188,630,890</u>	<u>16.33%</u>

(1) Does not include tax increment programs.

Table 11

**Lehi City Corporation
Computation of Legal Debt Margin
June 30, 2005**

Taxable Value	\$ 1,012,159,310
Estimated Market Value	1,678,423,396
Debt limit: 4% of market value (1)	67,136,936
Amount of debt applicable to debt limit:	
Total bonded debt (including special assessment bonds, if any)	-
Less:	
Assets in debt service funds available for payment or principal (2)	-
Total amount of debt applicable to debt limit	-
Legal debt margin	\$ 67,136,936

(1) Debt margin applies only to General Obligation Bonds.

(2) Debt service monies available are net of reserves dedicated to other debt issues, i.e., revenue bonds and capital leases.

Table 12

Lehi City Corporation
Ratio of Net General Obligation Bonded Debt to Assessed Value
and Net General Obligation Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population	Assessed Value(1)	Gross Bonded Debt(2)	Less Debt Service Fund(3)	Debt Payable from Enterprise Revenues	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1996	\$ 14,455	\$ 246,999,732	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
1997	15,466	686,911,564	-	-	-	-	0.00%	-
1998	17,128	457,163,271	-	-	-	-	0.00%	-
1999	18,325	433,791,904	-	-	-	-	0.00%	-
2000 (4)	19,028	466,522,642	-	-	-	-	0.00%	-
2001	20,930	561,731,301	-	-	-	-	0.00%	-
2002	24,122	716,430,035	-	-	-	-	0.00%	-
2003	26,314	1,125,631,117	-	-	-	-	0.00%	-
2004	30,000	1,019,583,570	-	-	-	-	0.00%	-
2005	34,433	1,154,966,919	-	-	-	-	0.00%	-

(1) From Table 5.

(2) Amount does not include special assessment bonds and revenue bonds.

(3) Amount available for repayment of general obligation bonds.

(4) 2000 Population total provided by US Census Bureau

Table 13

**Lehl City Corporation
Revenue Bond Coverage
Enterprise Funds
Last Ten Fiscal Years**

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)		Total	Coverage
				Principal	Interest		
1996	\$ 6,320,453	\$ 4,313,272	\$ 2,007,181	\$ 384,780	\$ 339,716	\$ 724,496	277.0%
1997	7,634,842	4,962,423	2,672,419	321,044	395,578	716,622	372.9%
1998	7,755,318	5,465,063	2,290,255	361,406	362,916	724,322	316.2%
1999	9,813,508	6,053,952	3,759,556	355,573	372,006	727,579	516.7%
2000	11,232,102	6,869,715	4,362,387	408,415	420,566	828,981	526.2%
2001	13,553,246	11,255,166	2,298,080	531,260	532,960	1,064,220	215.9%
2002	21,870,254	19,430,206	2,440,048	793,359	505,007	1,298,366	187.9%
2003	23,982,398	19,166,890	4,815,508	694,674	509,311	1,203,985	400.0%
2004	26,033,339	20,217,520	5,815,819	717,925	517,779	1,235,704	470.6%
2005	26,504,097	19,011,905	7,492,192	786,575	463,915	1,250,490	599.1%

(1) Total revenues (including interest and impact fees)

(2) Total operating expenses exclusive of depreciation and amortization.

(3) Includes principal and interest of revenue bonds only. It does not include debt defeasance transactions.

Table 14

**Lehi City Corporation
Demographic Statistics
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate (2)</u>
1996	14,455				2.9%
1997	15,466				2.3%
1998	17,128				2.8%
1999	18,325				3.1%
2000 (3)	19,028		23.6		3.1%
2001	20,930				3.2%
2002	24,122				4.9%
2003	26,314				4.0%
2004	30,000				3.8%
2005	34,433				3.6%

(1) Population estimates made by the Lehi City Planning Department.

(2) Unemployment numbers are for the entire Utah County population.

(3) Totals are taken from 2000 Census conducted by US Bureau of Census

Table 15

**Lehi City Corporation
FY 05 Statistical Information**

General Information:	
Date of Incorporation	Feb 6, 1852
Form of Government	Strong Mayor
Full Time City Employees	109 (20 Exempt)
Area of the City	32 Sq. Miles
Businesses	884
Streets & Transportation	
Miles of Paved Streets	154
Number of Street Lights	1,200
Recreation:	
Community Centers	1
Parks	20
Park Acreage	195
Playgrounds	14
Sports Fields	5
Swimming Pools	1
Museums	3
Fire Protection:	
Stations	1
Full-time Fire Fighters	2
Part-time Fire Fighters	40
Fire Incidents	63
Fire Inspections	151
Police Protection:	
Stations	1
Police Officers	24
Patrol Units	11
Traffic Citations	9,808
Misdemeanors	3,764
Assaults	106
Building Permits Issued:	
Residential	483
Multi-family	35
Commercial	15
Other	136
Sewer & Drainage System:	
Sanitary Sewer Lines	154 Miles
Storm Drains	55
Treatment Facilities	1 Service District
Sewer Service Connections	8,546 Connections
Daily Average Treatment	2,900,000 Gallons
Culinary Water System:	
Water Mains	178 Miles
Service Connections	8,546 Connections
Daily Average Consumption	1,846,575 Gallons
Pressurized Irrigation:	
Water Mains	163 Miles
Service Connections	8,548
Fire Hydrants	1,064
Electric Distribution System:	
Service Lines	189 Miles
Service Connections	9,381
Distribution Stations	3
Peak Substation Capacity Used	45.7 Mega Watts

Table 16

**Lehi City Corporation
Special Assessment Billings and Collections
Last Ten Fiscal Years**

Fiscal Year	Special Assessment Billings	Special Assessment Collections
1996	\$ -	\$ -
1997	-	-
1998	-	-
1999	-	-
2000	-	-
2001	-	-
2002	903,108	903,108
2003	905,908	905,908
2004	907,320	907,320
2005 (1)	756,861	1,837,345

(1) The property owners within the Special Improvement District made several prepayments during the year, which reduced the assessment billing amount. The prepayments also resulted in the large special assessment collection amount for 2005.

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LEHI CITY CORPORATION

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

REPORT ON STATE LEGAL COMPLIANCE

MANAGEMENT LETTER

FOR THE YEAR ENDED JUNE 30, 2005

OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members of the City Council
Lehi City Corporation, Utah

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lehi City Corporation, Utah (City), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the City in a separate letter dated December 1, 2005

This report is intended solely for the information and use of the City Council, management, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Osborne Robbins & Bakken PLLC

December 1, 2005

OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON STATE LEGAL COMPLIANCE IN ACCORDANCE WITH STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE

Honorable Mayor and Members of the City Council
Lehi City Corporation, Utah

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Lehi City Corporation, Utah (City), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 1, 2005. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

B & C Road Funds	(Department of Transportation)
Liquor Law Enforcement	(State Tax Commission)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subjected to testwork as part of the audit of the City's financial statements.)

Emergency Medical Services (Department of Health)
Justice Court Technology, Security and Training (Administrative Office of the Courts)

Our audit also included testwork on the City's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt	Other General Issues
Cash Management	Budgetary Compliance
Purchasing Requirements	Justice Court
B & C Road Funds	Liquor Law Enforcement
Truth in Taxation & Property Tax	Uniform Building Code
Limitations	Standards
Impact Fees	Asset Forfeiture

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above

occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Lehi City Corporation, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Osborne Fothman & Buhler PLLC

December 1, 2005

OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

Honorable Mayor and Members of the City Council
Lehi City Corporation, Utah

In planning and performing our audit of the financial statements of Lehi City Corporation (the City) for the year ended June 30, 2005, we noted certain matters for your consideration. This letter summarizes our comments and suggestions regarding those matters. Also, included are descriptions of immaterial instances of noncompliance. This letter does not affect our report dated December 1, 2005, on the financial statements of the City. Also, reportable conditions and material internal control weaknesses, if any, are included in our report dated December 1, 2005, in accordance with *Government Auditing Standards*.

STATE OF UTAH LEGAL COMPLIANCE Fund Balance

State law requires that a reduction in fund balance be budgeted when unrestricted fund balance exceeds 18% of budgeted revenues. At June 30, 2005, the unrestricted fund balance is approximately 30% of the 2004-2005 budgeted revenues, not including budgeted impact fee revenue.

Recommendation

The City is required to budget the excess within the next budget year (fiscal year 2006-2007).

Management Response and Action Plan

The City will budget the excess within the fiscal year 2006-2007 budget year.

Expenditures in Excess of Budgets

The City incurred expenditures in excess of approved budget amounts in the following governmental funds:

	Expenditures in Excess of Budget
General Fund	
Public safety	\$ 2,937
Streets and highways	296,285
Parks, recreation and culture	498,156
General Debt Service Fund	
Debt Service – Principal	589,030
Capital Projects Streets Fund	
Transfers out	550,984
Redevelopment Agency	
Community development	2,445

Recommendation

The City should more closely monitor expenditures and operating expenses to ensure they do not exceed budgeted amounts.

Management Response and Action Plan

The expenditures that caused the budget overages were not anticipated. The finance department will work hard to stop these unexpected expenditures from occurring in the future by performing additional reviews of expenditures in June.

Impact fee refunds

According to state law, refunds of impact fees that had been previously paid to the City, in connection with the issuance of a building permit, are to include interest earned on the amounts that had been remitted to the City. We noted several instances wherein a refund of impact fees did not include the required interest amounts.

Recommendation

We recommend the City develop procedures wherein refunds of impact fees that had been collected when a building permit was issued are reviewed for reasonableness and, as part of that review, verification that interest was appropriately included in the refund amount.

Management Response and Action Plan

The City agrees with this recommendation and will establish procedures to review the refunds and calculate interest to be paid with the refund.

OTHER COMMENTS AND RECOMMENDATIONS

Develop an Accounting Procedures Manual

The City does not have an updated accounting procedures manual. There may be an assumption that because the City's accounting system is relatively simple and the accounting personnel have direct and easy access to the finance director when questions arise, there is no need for a manual. However written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions management performs.

Recommendation

Management should develop an accounting procedures manual that includes, along with a chart of accounts, detailed explanations of account content, appropriate descriptions of all accounting procedures and routines, and definitions of job duties, authority, and responsibility. We also recommend that management periodically review the finance department's compliance with standard procedures.

Management Response and Action Plan

The accounting procedures will be updated and documented as recommended.

Develop a Year-end Closing Schedule and Checklist of Closing Procedures

This year's closing process was delayed because some important procedures were not performed on time while others were performed too early in the process. The results were delays in producing closing entries, trial balances, schedules, reconciliations, analysis of certain accounts and other financial reports needed by management and the auditors.

Recommendation

We believe the year-end closing would proceed more quickly and accurately by developing a schedule for the closing procedures. The timing of specific procedures should be logical and should also be coordinated with the timing of management's or the auditor's need for the information. The closing procedures should be documented in a checklist that indicates who will perform each procedure and when completion of each procedure is due and accomplished. The due dates should be monitored by management to determine that they are being met.

Management Response and Action Plan

We agree that this year's process was delayed for a variety of reasons. We will work with the auditor to develop a timeline and checklist that assigns responsibility to the appropriate party for completeness and timeliness and we will monitor these for compliance by all parties and take corrective action when required.

Document Review and Approval Procedures for Accounts Payable

Procedures that document what is required for bills to be processed and paid should be updated. Many of the procedures mentioned here may currently be in use; however, updating the documentation of this process will assist personnel to know what is expected at all levels of management as they approve invoices, record payments and authorize disbursements.

Disbursements should be made only from approved documentation such as original invoices. Supporting documentation should be cancelled to prevent re-use and eliminate double payments. Merchandise purchases should be agreed to purchase orders or receiving documentation. Purchases of services should be reviewed for reasonableness and compliance with the terms of contracts, agreements or policies. Policies for employee related expenses including travel, cell phones, and vehicle usage, should be clear and easy to understand. Travel expenses should be agreed to prior approvals. Cell phone bills should be reconciled to an approved user list. Vehicle expenses should be assigned to vehicles and when possible to employees. Proper segregation of duties requires that approval and review of invoices be made by someone other than the party that receives or manages the items or services purchased.

Recommendation

It is frequently good practice to obtain professional assistance in the organization and development of accounting routines and methods, which will provide reasonable internal controls. We would suggest that management obtain the services of a consulting organization that could help develop these procedures in a timely and efficient way.

Management Response and Action Plan

Current City policies and procedures are being followed with respect to the items mentioned. We agree that a periodic review of these procedures will result in improvements and we will obtain the services of a qualified consultant to assist in reviewing these procedures. Any changes to our current procedures will be reviewed with the Mayor and City Council prior to implementation.

Bank Reconciliations

The bank reconciliations are currently being done on a timely basis by City personnel; however, certain items should be reviewed in more detail to improve their accuracy and completeness. For example, we noted over \$33,555 in outstanding checks on the June 30, 2005 operating account bank reconciliation that had been outstanding in the prior year.

Recommendation

The list of outstanding checks should be reviewed on a regular basis to assess the propriety of the items included in the list. Old checks included on the list should be reviewed and voided if necessary and remitted to the State as unclaimed property if appropriate.

Management Response and Action Plan

We accept the recommendation stated by the auditors and will implement the necessary procedures.

Accumulated Deficits

At year end, the Garbage Fund had an accumulated deficit of \$338,128.

Recommendation

Management should reevaluate rates charged in this fund for its services and activities to ensure that revenues are sufficient to cover the operating expenses of the fund. If rates are not sufficient, transfers from the General fund or other sources should be budgeted and paid.

Management Response and Action Plan

The City acknowledges the deficit incurred by the Garbage Fund and has already taken steps to reduce the deficit. The City Council approved a City-wide recycling program, which is designed to reduce the waste stream to the solid waste transfer station where a majority of the costs occur. The City is also looking at a voluntary green waste program that will further reduce the amount of waste taken to the solid waste transfer station, resulting in lower tipping fees while collecting the same amount of revenue.

This report is intended solely for the information and use of the City Council, and management and is not intended to be and should not be used by anyone other than these specified parties.

Osborne Roblin & Budder PLLC

December 1, 2005